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Provinces of Ontario and Quebec.

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REPORT

OF THE

TOBACCO
INQUIRY COMMISSION

IN THE

PROVINCES OF ONTARIO
AND QUEBEC



OTTAWA
F. A. CLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1928

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Report of Tobacco Inquiry Commission in the Province of Ontario

I. INTRODUCTION

This commission to investigate and report on conditions in connection with the tobacco producing industry in southwestern Ontario was appointed on February 27, 1928. It consisted of E. S. Archibald, Director, Dominion Experimental Farms, Chairman; E. P. Tellier, Belle River, Ont.; and H. B. Archibald, Manager Cooper Leaf Tobacco Company, Wallaceburg, Ont.

The commission met at Chatham on March 2 and was duly sworn in by S. B. Arnold, J.F., of Chatham, in the presence of Dr. J. H. Grisdale, Deputy Minister of Agriculture for Canada.

The reasons for the necessity of appointing this commission were clearly stated by the Honourable Minister of Agriculture to the Committee of the Privy Council. There had been many representations to the Minister of Agriculture relative to unsold 1926 crop still in the warehouses in Liverpool and large quantities of the 1927 crop still in the hands of the growers for which remunerative prices did not seem available, and there had been many representations relative to unfair prices and practices which many growers considered a distinct injustice to them and to the industry. Since these representations were made largely by the growers, the commission immediately outlined an itinerary in the course of which the growers were given ample opportunity to state conditions as they existed.

The following is the itinerary followed by the commission during its investigations. Public hearings for growers or others were held at Chatham, Tilbury, Blenheim, Essex, Leamington, Dresden, Harrow, Windsor, Kingsville, Belle River, Rodney, St. Thomas, London and Simcoe, in the order named. Following these meetings the commission spent considerable time with each of the eight tobacco processing companies in southwestern Ontario in the following order: Cooper Leaf Tobacco Company, Wallaceburg; Canadian Leaf Tobacco Company, Chatham; British Leaf Tobacco Company, Chatham; Leamington Tobacco Sales Corporation, Leamington; Imperial Tobacco Company of Canada, Leamington; Ross Leaf Tobacco Company, Kingsville; Hedge Tobacco Leaf Company of Canada, Kingsville; and the Canadian Tobacco Growers' Co-operative, Kingsville.

However, even processing companies are naturally not in a position to give final valuations on tobaccos in manufactory, hence the commission proceeded to visit a number of representative tobacco manufactures in Ontario and Quebec, which were users of or interested in Canadian leaf tobacco. The following were the companies visited: Tuckett's Tobacco Company, Hamilton; Hymans Tobacco Company, Montreal; Imperial Tobacco Company of Canada, Montreal; Benson & Hedges Company, Limited, Montreal; W. C. MacDonald Company, Montreal; Rock City Tobacco Company, Quebec; and Jos. Cote, Quebec.

One thing which was outstanding in the investigations of this commission was the evidence of the supreme importance of building up a fair understanding, mutual confidence, and the most harmonious relationships between producers and manufacturers, this including the processing companies. The tobacco pro-

ducing industry of Canada has now become an important and firmly established part of Canada's agriculture, hence if it is to continue on a profitable basis and with expansion along sound lines, a fuller appreciation on the part of all of every phase of the industry is most essential. Moreover, the average Canadian smoker, particularly in our towns and cities, little realizes that much of the Canadian grown leaf is really excellent tobacco, and if properly processed, aged and manufactured, is of very high quality for certain distinct purposes.

It is then the hope of your commission that their findings as given in this report may have the effect of dispelling certain misunderstandings, correcting certain practices which are not beneficial toward the upbuilding of the industry, bring about a much better understanding between producers, processors and manufacturers, and also give to the general public a better understanding as to the importance of the industry and the excellent quality of tobacco which Canada can produce.

The commission wishes to acknowledge the assistance rendered by tobacco growers at the public hearings, by the managements of both processing and manufacturing companies from some of which very valuable information and assistance was obtained, by officials of the tobacco growers' associations in each of the 6 counties of southwestern Ontario, by the provincial Department of Agriculture as represented by their agricultural representatives in each of these counties, and also the school teachers.

The Secretary of this Commission, Mr. A. J. Desfosses, who is the Secretary of the Tobacco Division, Central Experimental Farm, Ottawa, accompanied the commission throughout its tour and worked very diligently therefor.

II. QUANTITY OF TOBACCO PRODUCED IN SOUTHWESTERN ONTARIO

During the month of February, there were numerous and most contradictory estimates made as to the acreage in tobacco during the year 1927, the total crop, and the unsold balance of crop, hence the commission attempted to obtain reliable information from all sources along these lines. The following tables Nos. 1 and 2 show the federal statistics for the past four crop seasons. Realizing, however, that it was possible that the methods of obtaining the federal statistics during the year 1927 might possibly have left a chance of error because of the peculiarity of the season the commission tried to obtain estimates through the circulation of a questionnaire card through the offices of the agricultural representatives, these to be distributed in turn through different channels, and to be filled in by the growers. The growers would not co-operate in filling these cards as to 1927 or anticipated 1928 crop. It is true that some have, and due to a small temporary shortage of cards a few growers have not yet had time to return theirs. In addition thereto, most of the processing companies have a fairly large staff of representative field men and buyers also making reasonably accurate statistics as to the crop, and these too were carefully compiled. The table No. 3 shows the estimates of the 1927 crop made from these various sources and the average thereof which might be considered reasonably correct.

TABLE I—ACREAGE IN TOBACCO IN ONTARIO—1927

A. FEDERAL STATISTICS

County	Flue	Burley	Dark Air	Dark Fire	Total
	ac.	ac.	ac.	ac.	ac.
Essex.....	5,850	9,000	1,250	700	16,800
Kent.....		10,000	1,850	1,150	13,000
Elgin.....	500	700	300	200	1,700
Norfolk.....	1,200	150	75	25	1,450
Middlesex.....		300	70	30	400
Lambton.....		150	30	20	200
Others.....		50	40	10	100
Totals.....	7,550	20,350	3,615	2,135	33,650

Average estimated yields per acre were—

Flue.....	825 lbs.
Burley.....	1,110 “
Dark Air.....	1,200 “
Dark Fire.....	1,250 “

These figures acquired by the Statistical Branch, Department of Trade and Commerce, were carefully checked by the Tobacco Division, Department of Agriculture.

TABLE II—YIELDS OF TOBACCO IN ONTARIO

A. FEDERAL STATISTICS

Year	Flue	Burley	Dark Air cured	Dark Fired	Total
	lbs.	lbs.	lbs.	lbs.	lbs.
1924.....	5,479,000	5,261,000	1,145,000	250,000	12,135,000
1925.....	6,268,000	9,452,000	4,342,000	456,000	20,498,000
1926.....	4,331,000	11,072,000	4,161,000	495,000	20,059,000
*1927.....	6,247,750	22,581,000	4,338,000	2,669,000	35,835,750

*The figures for 1924, 1925 and 1926 were obtained by surveys made by the Tobacco Division, Dominion Experimental Farms, and carefully checked with figures from the buying Tobacco Companies.

TABLE III—YIELDS OF TOBACCO IN ONTARIO

ESTIMATES FROM ALL SOURCES

Sources of Figures	Flue	Burley	Dark Air Cured	Dark Fired	Total
	lbs.	lbs.	lbs.	lbs.	lbs.
A—Federal Statistics.....	6,247,000	22,581,000	4,338,000	2,669,000	35,835,000
B—Card Survey by Tob. Com.....	*	*	*	*	*
C—British Leaf Tob. Co., Chatham.....	5,500,000	21,000,000	4,500,000	2,000,000	33,000,000
D—Canadian Leaf Tob. Co., Chatham.....	6,250,000	22,000,000	4,250,000	2,500,000	35,000,000
E—Canadian Tob. Growers' Co-op., Kingsville.....	6,000,000	22,000,000	5,000,000	(Incl. in air)	33,000,000
F—Cooper Leaf Tob. Co., Wallaceburg.....	6,000,000	12,000,000	6,000,000	“	24,000,000
G—Hodge Tob. Co. of Can., Kingsville.....	6,000,000	22,000,000	5,000,000	“	33,000,000
H—Imperial Tob. Co. of Canada, Leamington.....	6,500,000	21,000,000	5,000,000	“	31,500,000
I—Leamington Loose Leaf Corporation, Leamington.....	7,000,000	20,000,000	5,500,000	“	32,500,000
J—Ross Leaf Tob. Co., Kingsville.....	6,000,000	15,000,000	11,000,000	1,000,000	33,000,000
Averages.....	6,499,000	19,731,000	5,621,000	2,042,000	32,315,000
Total Purchases to March 28.....	6,250,000	20,560,825	5,042,323	2,313,035	34,174,183
Maximum Est. unsold balance of 1927 crop.....	30,000	2,000,000	400,000	100,000	2,530,000
Corrected estimate based on sales and unsold balance.....	6,280,000	22,560,825	5,442,323	2,413,035	36,704,183

* So few growers co-operated that no estimate possible.

Are we Growing too much Tobacco in Southwestern Ontario?—All the processing and manufacturing companies were carefully questioned on this subject and all gave approximately the same answer. They all agreed that in 1927 there was too much tobacco of poor grades produced in Ontario, making it very difficult indeed to absorb the same to advantage either in Canadian or export trade. Naturally this is worse in some years than others, but even in an average year, the proportion of low grade is considered far too high. Two companies stated that in 1927, there was probably 10 per cent too much Burley tobacco produced, and unfortunately this surplus was of low grade. A number of the processing and manufacturing companies felt that there possibly was too much Dark air cured tobacco produced more than the market can reasonably and advantageously absorb, but all companies having to do with Dark fire-cured tobacco, especially for export, unhesitatingly stated that Canada was not producing too much of this type, but rather the reverse. Most of the processing companies were unanimous in stating that practically all dark tobaccos should be fire-cured, and if properly grown and cured, there was a promise of an excellent export trade for all good and fine grades.

Individual producers naturally hesitated to answer this question, stating frankly that not knowing Canadian or export markets, they were not in a position to give a definite answer. A few producers felt that there was still room for very material expansion, especially in the production of Flue tobacco of which Canada still consumes nearly two and a half times her total production.

It is exceedingly unfortunate that a few over-zealous speakers at tobacco meetings throughout southwestern Ontario during recent months have made statements which cannot be supported by facts. One speaker, Colonel Lee, at more than one meeting stated that there was an unlimited British market for all the tobacco which southwestern Ontario could produce and without due recognition to proper type or the necessity for high quality. Whatever the future of the export trade may be from Canada to the United Kingdom it is obvious to the Commission through its findings that the growth of this export trade must be gradual and the reputation of Canadian tobacco must be built soundly on good quality of leaf of the types which can be best grown to compete with leaf from other countries. The introduction of Canadian leaf with its different body and flavour, even though such be slight, of necessity must be a gradual process in which a constant supply from year to year and the utmost care in quality and grading and processing must be taken.

Those Advocating Increased Production in 1927.—There is no doubt that a very considerable number of producers were induced to undertake tobacco production for the first time in 1927 due to a large amount of propaganda conducted toward great expansion of this industry. It is quite probable that had not the prices for 1926 crop been remarkably good these farmers would not have attempted to grow tobacco in 1927 nor would the enthusiasts advocating great expansion have had a reason for their campaign. Evidence will be submitted in this report to substantiate the statement that had these beginners produced the proper type of tobacco suitable to their soils, had they been sufficiently experienced to have produced high quality tobacco, there is every possibility that their losses would have been slight, and often reasonable profits would have been made.

The fact remains, however, that a considerable number of beginners and undoubtedly a few older growers were induced to enlarge their efforts in tobacco work and have suffered material loss due to unsold crop or sales at a price below cost. Hence, an attempt was made to discover who were responsible for such a campaign and for what reason it was started.

One of the processing companies was found to have advocated a decrease in the 1927 crop especially in Dark air tobacco and had given specific warning not

to grow more Burley than the growers could properly take care of. Two of the companies claimed to have made no statements to the growers advocating either increase or decrease. Five of the companies had advocated increase in the production of Dark tobaccos, especially if these crops were fire-cured, and if precaution was taken to produce good quality. Of these latter companies, three were taking very active strides toward inducing growers to properly fire-cure this type of crop. One of these companies assisted a dozen growers toward constructing proper fire-curing barns. Another company grew a large quantity of their Dark tobacco under contract with a large number of growers, while the third company has been responsible for introducing experienced fire-curers from the south and demonstrating the proper methods in different districts.

The reasons given by these companies for advocating an increase in Dark fire type tobacco was that the British market was excellent for this type of crop, providing good quality was produced. One company interested essentially in the export trade stated that Britain could immediately absorb 15,000,000 pounds of good quality Dark fire tobacco.

Only one company admitted that it had advocated increased Burley production and that company had emphasized that high quality should be the basis thereof.

Evidence given by the growers on this subject brought forth few statements and these of a rather contradictory nature. It is possible that representatives from the various companies occasionally may have advocated increased production in certain districts without giving sufficient and proper emphasis to the type of tobacco best suited to the markets and the type of soil, but from the Public Hearings it would almost appear that the above evidence given by the companies was reasonably correct.

There appears to be some confusion in certain districts as to advice given by companies and government officials relative to the 1926 crop, this being interpreted to represent the facts for the 1927 crop. The fact that this matter was brought out at the convention at Chatham in which particular reference was made to the Imperial Tobacco Company, Leamington, led to a careful review of the correspondence from the files of that company. It appears that this company was advocating a material increase in production during the spring of 1926 at which time there was considerable contrary advice and difference of opinion on this point. The fact remains, however, that this company apparently was quite correct in its advice relative to the 1926 crop of which there was an actual shortage which was no doubt largely responsible for the extraordinarily high prices in spite of the exceedingly poor quality. There is every reason to believe, however, that this same company gave guarded advice relative to the 1927 crop as above stated.

In one instance at a public hearing, the federal Department of Agriculture was charged with giving erroneous advice in advocating great increases in area for 1927. This witness, however, later admitted that he did not know the facts and had not read the special report made by the Chief of the Tobacco Division, Mr. Slagg. This report in analyzing the reception of the Canadian tobacco at the Olympia Tobacco Show in March, 1927, especially emphasized the fact that "*the outlook for the Burley market for 1927 was reasonably good providing that high quality was maintained and there was no material increase in acreage.*"

The commission finds also that some newspapers in southwestern Ontario had been largely responsible for arousing unwise enthusiasm on the part of prospective growers and that these growers with neither experience nor an intimate knowledge of tobacco production as to types, varieties and methods, had thus unwisely embarked on a campaign which was more conducive of gaining experience than profits. Some newspapers however conducted a highly educative campaign.

Deductions Regarding Quantity 1927 Crop.—It is apparent that the 1927 crop slightly exceeded even the highest estimates made by the federal Government. It is true that the Burley crop turned out in many cases of thin and light body, thus not coming up to the expected weights as judged by the appearance of the leaf before curing. In many cases, this shortage was about 8 per cent below estimates. The so-called fire-cured tobacco now produced in southwestern Ontario leaves much to be desired for lack of sufficient thoroughness in the curing process, and much of it is not even well smoked.

III. UNSOLD BALANCE OF 1927 CROP

The following table No. 4 gives estimates of the unsold balance, these estimates being secured from various sources. It would appear then on this date, March 28th, that not a large proportion of the 1927 crop remains unsold, and although this balance be of a relatively low quality it will probably be largely absorbed by June 1.

Evidence from three processing companies interested in the export trade and also several manufacturers showed clearly that if this were high quality leaf, particularly of the Dark fire tobacco, it would be absorbed immediately for export at good prices.

UNSOLD BALANCE 1927 CROP—MARCH 28, 1928

Source of figures	Flue	Burley	Dark air	Dark fire	Total
	lbs.	lbs.	lbs.	lbs.	lbs.
Average estimates from all sources.....	Very little..	1,900,000	450,000	Very little..	2,350,000

How THE 1927 CROP WAS ABSORBED.—The following table (No. 5) is based on the most accurate figures available as to purchases (dated March 28, 1928), unsold balance of crop, crop exported during 1927, etc., and is worthy of study. The following are the most interesting items. The unsold balance of crop on this date of the 1927 crop certainly does not exceed 2,500,000 pounds. The crop which has been purchased for export will be at least 7,600,000 pounds, and it is possible that if the foreign demand remains firm still further stocks of the 1927 crop may go forward to Great Britain. If not, it leaves a balance of the total 1927 crop amounting to about 29,000,000 pounds to be used in Canadian consumption, of which not more than 2,500,000 pounds still remains in the hands of the growers.

Since the amount of the 1926 crop absorbed by Canadian manufacturers and consumers amounted to only about 19,000,000 pounds, it means that the Canadian market has made every effort toward absorption of the 1927 crop even though the amount available exceeded by several million pounds the absorption in any previous year.

How MUCH SHOULD BE GROWN IN 1928.—Evidence was obtained from each of the processing companies which when compiled shows that in their opinion a crop for 1928 of 31,000,000 pounds can be advantageously grown. It is quite evident that these companies which have absorbed the large 1927 crop are still optimistic as to the possibility for a good crop in 1928, providing that every attention is given thereto and the season is favourable toward producing high quality. All (except one) however, emphasized that there should be no material increase but rather a decrease in the Dark air tobacco and that all Dark tobaccos should be properly fired, which tobaccos, if of good quality and the firing is well done, will find a ready market.

As to the future for the flue tobacco crop in 1928, one company although admitting that in some areas in the vicinity of Leamington, flue type tobacco was grown on soil not suitable because of the cold character of the sub-soil, yet this same company was most enthusiastic as to the quality of flue tobacco being produced in Norfolk county, and had no fears as to the probable great increase in the production of this type in Norfolk county during the coming year. Another company, however, felt that if Norfolk county produced from five to six million pounds of flue tobacco in 1928, there would be a very seriously depressing effect on the flue market of the old established flue growing areas of Essex county.

HOW 1927 CROP WAS ABSORBED

—	Flue	Burley	Dark Air	Dark Fire	Total
Estimated yield (Federal).....	1926 4,331,000	11,072,000	4,161,000	495,000	20,059,000
	1927 6,247,750	22,581,000	4,338,000	2,669,000	35,835,000
Crop actually purchased by Companies.....	1926 5,013,250	14,947,400	4,669,478	561,478	25,191,606
	1927 6,252,000	20,566,825	5,042,323	2,313,035	34,174,183
Unsold balance of crop March 28....	1926 0	0 *	0 *	0 *	Very little*
	1927 0	2,000,000	400,000	100,000	2,500,000
Crop for Export.....	1926 5,250	3,573,400	2,185,959	406,478	6,171,087
	1927 0	4,305,600	1,582,323	1,715,035	7,602,958
Crop for Canadian Consumption.....	1926 5,008,000	11,374,000	2,483,519	155,000	19,020,519
	1927 6,252,000	18,261,225	3,860,000	698,000	29,071,225

*Approximate maximum as judged by figures all sources.

IV. THE QUALITY OF TOBACCO GROWN IN SOUTHWESTERN ONTARIO

During the month of February, a statement was made by the press and by many growers at meetings and elsewhere that the unsold balance of the 1927 crop represented good quality tobacco; in fact many stated that it represented as good quality as had been sold. Hence, the commission gave particular attention to this question both at public hearings and elsewhere.

The following table No. 7 attempts to summarize the evidence as obtained at public hearings, at which meetings growers were asked to bring in samples fairly representative of their unsold crop, which samples were carefully examined and graded by the Commission and a record kept also as to the quantity of unsold crop as represented by these samples. In grading these samples, five grades were made. Of "fine" crop, there were a few large crops from which excellent samples were produced, but this represented only 59,000 pounds or 8.9 per cent of the total amount of unsold tobacco declared. To the knowledge of the commission, three of these largest "fine" crops have been sold, and one of these crops was not fairly represented by the sample submitted, which crop still remains unsold. Of samples rated "good", there were 26 or 14.9 per cent of the total number of samples examined. This represents a total of 175,000 pounds of tobacco, but a number of these crops were sold shortly after the hearings of the Commission. The "medium", "poor" and "very poor" quality samples submitted represented about 425,000 pounds of tobacco. It was impossible for the Commission to carefully examine these crops to see if samples were fairly representative, hence the table is given for what it is worth.

ESTIMATED QUALITY OF UNSOLD BALANCE, 1927 CROP

A. As judged by Samples and statement of quantities, submitted at Hearings of Commission. (The crops represented by samples not seen so there is no knowledge as to the % samples truly representative).

Districts represented by Meetings		Fine (Extra Good)		Good		Fair (Medium)		Medium (Poor)		Poor (Very Poor)	
Samples	Ibs.	Samples	Ibs.	Samples	Ibs.	Samples	Ibs.	Samples	Ibs.	Samples	Ibs.
No.	Declared	No.	Declared	No.	Declared	No.	Declared	No.	Declared	No.	Declared
Chatham.....	1	4	30,000	8	36,000	15	43,000	11	3,000		
Tilbury.....	1	6	23,000	6	39,000	14	57,000	13	28,000		
Blenheim.....		5	53,000	8		5	14,000	4	15,000		
Dresden.....		3	7,000	5	8,000	3	5,000	3	5,000		
Essex.....						(Mostly sold—No samples)					
Leamington.....	2	23,000	1	1,000	3	9,500	2	1,000		1	
Harrow.....	1	7,000				(Mostly sold in district)					
Belle River.....						20,000	4	4,000		3	
Windsor.....						(All sold in district—Pelee Isl.)				1	
Kingsville.....						(Mostly sold—No samples)					
Rodney.....											
St. Thomas.....	1	4,000	1	18,000	5	22,000	2	16,000			
London.....			2	20,000	2	9,000	2	20,000		2	
Simcoe.....			2	13,000	1	8,000	2	25,000		3	
Totals (661,500).....	6	59,000	26	175,000	52	171,500	49	185,000	41	71,000	
%.....	3.4	8.9	7.6	14.9	7.6	26.5	7.6	25.7	7.6	27.9	10.7

ESTIMATED QUALITY OF UNSOLD BALANCE 1927 CROP—*Concluded*

B. As judged by Tobacco Companies.

Tobacco Companies	Estimated total unsold	Approx. quality of unsold balance		
		Good	Poor	Very Poor
		lbs.	lbs.	lbs.
British Leaf Tob. Co.....	3,000,000		1,000,000	2,000,000
Canadian Leaf Tob. Co.....	2,500,000	200,000	1,300,000	1,000,000
Can. Tob. Gr. Co-operative.....	3,000,000	500,000	1,400,000	1,100,000
Cooper Leaf Tob. Co.....	4,000,000	800,000	1,600,000	1,600,000
Hodge Tob. Co. of Canada.....	2,000,000	*100,000	400,000	1,500,000
Imperial Tob. Co. of Canada.....	2,000,000	10,000	490,000	1,500,000
Leamington Loose Leaf.....	1,000,000	*50,000	450,000	500,000
Ross Leaf Tob. Co.....	1,500,000	0	300,000	1,200,000
Averages.....	2,374,000	207,500	867,500	1,300,000
Average %.....	100	8.7%	36.6%	54.7%

*If graded out of poor plus a few good crops

The general deductions, however, are significant, namely that by far the major portion of the crop unsold in March was of indifferent to very poor grades.

Evidence was obtained from various processing companies, and table No. 8 shows the general deductions therefrom. It is significant that there is not a marked difference between estimates made by the companies and the estimate made by the commission after examination of the samples submitted at public hearings.

COMPARISON OF 1927 CROP WITH 1926 CROP IN QUALITY.—Practically all the companies agreed that the 1926 crop was one of the worst quality crops of tobacco that Canada had ever grown. Although the growing season was good and the crop promised well, yet the harvesting season was so bad that the crop was exceedingly dirty, and the curing season was so wet that with all the air cured tobacco there was a large percentage of barn burn and general depreciation in quality. It is true that the 1926 crop did, because of the better growing season, have a little more body than the 1927 crop, in which latter year the Burley crop especially, due to dry weather, yellowed-up in the field before it was properly matured.

On the other hand, practically all the companies admitted that the Dark fire tobacco in 1927 was one of the best quality crops, in body, texture, and colour, which Canada has yet produced. One company estimated that the 1927 crop was at least 25 per cent better than 1926, and all admitted that it was a much more useful crop. Most of the processing and some of the manufacturing companies admitted that the low grade unsold balance of 1927 was better than much of the low grade 1926 crop which, due to crop shortage and the extraordinary demand for tobacco, sold at fairly large prices.

DEDUCTIONS RE QUALITY OF UNSOLD BALANCE 1927 CROP.—From the samples examined, there is little doubt that much of the unsold crop was grown on land not suitable to that particular type. For example, some of the flue tobacco samples gave every evidence of having been grown on land more suitable for Burley. A large number of the Burley samples examined were grown on land decidedly more suitable for Dark tobaccos. Upon careful investigation amongst the processing companies there was every evidence that this condition does prevail particularly in the newer tobacco growing sections and amongst the less experienced tobacco growers.

From all evidence submitted, the unsold balance, with the perhaps occasional exception, represented crops which are of poor or low grade, and were of relatively small value on present tobacco markets. In a season of short crop, even in spite of this low quality, there would undoubtedly be more ready absorption, but in a season of average to large crops, this grade of leaf naturally will be absorbed slowly and only as a market for very cheap grades of leaf is available. One company went so far as to say that after a careful survey, very little unsold crop remained which was worth more than 6 to 7 cents.

CAN ONTARIO PRODUCE THE HIGHEST QUALITY OF TOBACCO OF EACH TYPE?—The opinion of manufacturers, processers, and the more experienced tobacco growers was obtained and compiled. From the evidence submitted, the commission draws the following deductions:—

1. It is very difficult indeed to accurately define the word quality, which embraces not only the appearance and texture of the leaf, but also burning character and flavour. The latter item is a factor which is open to different interpretations depending on the different blends to suit different palates in different countries.
2. Canadian flue tobacco of high quality can be produced on suitable soils.
3. Canadian Burley tobacco of excellent quality can be produced on suitable soils. However, Canadian Burley tobacco is, as a rule, entirely different from American burley which is so commonly used for consumption in cigarette manufacture in the United States. Canadian Burley is a heavier leaf because of stronger soil and different climatic conditions. In consequence, it is darker, thicker bodied, and is really more suited to pipe tobaccos or chewing tobaccos, while the American Burley of different texture and flavour is more suited to cigarettes. In this connection, it is interesting to note that the American consumption of cigarettes has now reached the startling total of over 750 per capita, which is largely responsible for the enormous domestic consumption of practically the total Burley crop of the United States. On the other hand, the consumption per capita in Canada is less than 325 and this composed largely of Flue tobaccos alone represents a proportion of consumption of Flue tobacco in Canada much greater than our production. Canadian Flue tobaccos then are used both in Canadian cigarettes and in pipe tobaccos, while Canadian Burley is used to a very limited degree in cigarette manufacture.
4. Dark air cured tobaccos in Canada are as a rule not of very high quality due largely to curing seasons which are not as advantageous as in some parts of the United States.
5. Dark tobaccos grown in Ontario which are fire-cured may be of the very finest quality for plug wrappers and fillers.

MATURITY AS AFFECTING QUALITY.—Experienced growers as well as representatives of processing and manufacturing companies, all agreed that a *very large percentage of tobacco in South Western Ontario was cut too green, and in consequence the body, texture, quality and flavour, as well as the commercial value, suffered materially.* This condition is due partly to growers planting their crop too late. With a certain number of inexperienced growers, it is due to tapping too high, thus delaying maturity. With a very considerable number of growers, particularly inexperienced Belgian share growers, it is due to lack of knowledge of the proper stage to harvest and the fear of frosts, thus inducing them to harvest from one to two weeks too early. Undoubtedly experience along these lines will correct this practice which is responsible for material reduction in the quality of southwestern Ontario tobacco.

ONTARIO TOBACCO COMPARED WITH SAME TYPES AND GRADES GROWN IN UNITED STATES.—At a number of the public hearings, witnesses were heard who had extensive experience in growing and handling tobacco both in Canada and the United States. A number of witnesses felt that Canadian Flue tobacco if grown on proper land and given proper care was of about the same quality as the same types grown in the south. They, however knew nothing as to the relative flavours.

A number of experienced growers felt that on the whole, the Flue tobacco grown in Virginia and Carolina was of superior quality to Canadian, although the Canadian leaf was of heavier body.

No growers with experience in both Canada and the United States were prepared to state that Canadian Burley was the equal of American Burley for cigarette purposes as it was darker and of heavier body.

One grower with extensive experience in both countries and also extensive experience as a buyer, most emphatically stated that Canada can produce in Dark Fire tobacco a quality quite equal to that of Kentucky or other States. He maintained, however, that but a very small percentage of our growers have sufficient experience, were taking sufficient care, and were using the proper soils in order to accomplish this possibility.

Processing and manufacturing companies were also carefully examined on this same subject, it being felt that the manufacturers particularly would have an intimate knowledge as to relative flavours of same grades of tobacco grown in both countries. Probably the Manager of the Rock City Tobacco Company in Quebec gave as representative and accurate information as is obtainable. He states that the best crops in Canada are different from the best crops grown in the United States, hence are scarcely comparable. The difference is represented in both body and flavour due to soil and climatic conditions, but all the best crops grown in Canada are exceedingly useful, and are in high favour, each for a special purpose in manufacture.

Most certainly all the manufacturers and the processing companies agree that it is impossible to compare the Canadian and American Burleys because of the different body, colour and flavour, hence the different uses to which they would be put. In fact much of the Canadian Burley because of the strength of the soil is so heavy in body and so dark in colour that it might reasonably be used as an excellent substitute for Dark air type of tobacco, and could not in any way be compared with the bright, thin bodied, different flavoured Burley leaf produced in the South. All agreed also that the flue tobacco of the very finest grades produced in Canada was almost equal to that of the United States, but was not quite so clear in colour and had a different flavour. Processing companies and manufacturers having an intimate knowledge of Dark Fire tobacco produced in Canada were most enthusiastic as to our better crops and the majority of these agree that the very finest Canadian crops would compare very favourably with or were quite the equal of the finest qualities of Kentucky Dark fire tobacco. However, unfortunately all were compelled to admit that the average of this crop grown in Canada was as yet much below that of Kentucky, but soil and climatic conditions do not seem to be in any way adverse toward the production of the very finest quality tobacco of this type.

FLAVOUR OF CANADIAN TOBACCO.—As has been stated above, the flavour of Canadian tobacco differs from the same grades as grown in the United States. One manufacturer emphatically stated that Canadian Flue and Burley tobaccos lacked the sweetness and fullness of flavour of the same types of the United States. Another manufacturer also pointed out the lack of delicate flavour as well as the general delicacy of texture of Canadian Flue and Burley tobaccos compared with that grown in the United States. Nevertheless, this same company emphasizes the fact that the Canadian product more closely resembled

the United States product than that from other countries which might be found on the markets of Great Britain. Still another manufacturing company stated that if Canadian Dark Fire tobaccos were properly matured, they actually were sweeter than similar types grown in the United States. *Hence, there is every reason to believe that if a larger percentage of the growers of all types gave greater attention to the producing of the crop to full maturity, there would be less bitterness and a higher percentage of sweet flavoured crop produced each year.* Of the best crops grown in Canada of these types of tobacco, there seems no doubt that the flavour is good; nevertheless it is different from that of imported tobaccos and may not be reflected in commercial values without years of education of the palate of the consumer. It is self-evident that manufacturers must protect their blends of tobaccos, hence must have uniform supplies of both Canadian and imported leaf which may be used in the blending process. It would appear from evidence obtained that *Canadian leaf in the hands of the manufacturer requires a greater period of time for thorough ageing than American tobaccos of the same types.* This may be due partly to less attention given to proper maturity of the crop and also to the different seasonal conditions influencing the sweating of the tobacco in the ageing process.

Flavour of smoking tobacco is the determining factor as to whether or not the consumer is satisfied with his brand. On this alone depends the success of any manufacturer, in maintaining the popularity and saleability of his product. In order to maintain uniform flavour over a period of years, manufacturers of necessity must lay in stock years ahead in order that constant flavours in blends may be maintained. *Different crops require different number of years to age to a constant flavour.*

V. PRICES PAID ONTARIO TOBACCO PRODUCERS

It is exceedingly interesting to note the total purchases made by the various companies from the producers in comparing the 1926 crop with that of 1927. The following table shows the much larger purchases of the 1927 crops:—

TABLE IX

—	Flue	Burley	Dark Air	Dark Fire	Total
Total purchases by companies 1926.....	5,013,250	14,947,400	4,669,478	561,478	25,191,606
Total purchases by companies to March 28, 1928.....	6,252,000	20,566,825	5,042,323	2,313,035	34,174,183

PURCHASES DURING EARLY AND LATTER PART OF THE SEASON.—The 1926 crop was short and was very quickly bought up by the processing companies. Several factors, but particularly that of the unfavourable season for harvesting and curing, and the disastrous effects of a frost which caught considerable crops, caused a rise in the market prices, all companies realizing that the demand if anything exceeded the available supply.

Conditions, however, were reversed in 1927, when there was a large crop, which on the whole was more sound and useful than that of 1926.

At the Chatham meeting and elsewhere, statements were made that companies were not buying freely, and their systematic delay in making their purchases was a combined effort towards forcing down the prices of the unsold

crop. This question was carefully studied by the Commission, and the following is the result of careful enquiry amongst the buying companies. During the first three and a half weeks of the opening of the markets for different types of leaf, there were actually purchased by the companies nearly 23,000,000 pounds of tobacco, a total which was almost as great as the 1926 crop. In fact some of the companies within the first three weeks had purchased more than fifty per cent more tobacco than their total purchases of the 1926 crop. Had the Canadian Co-operative Co., Kingsville, taken up a share of 1927 crop in proportion to their 1926 purchases an even larger per cent of 1927 crop would have been bought in the first three weeks.

PRICES PAID FOR 1927 CROP.—The following table compiled from detailed evidence obtained from the various buying companies relative to prices paid during different periods of the buying season and the average for the whole season to March 28 is most interesting. These figures are nearly absolute since the more important and the largest buying companies gave accurate statements and most of the smaller companies' figures are approximately correct; hence the averages are correct within a very small fraction.

It will be seen that the average for the whole season to March 28 really compares very favourably indeed with the average for the first three and a half weeks of the buying season, especially so when one considers that by far the greatest proportion of the best grade of tobacco is always bought during the first ten days after the market opens.

TABLE X.

Type of Tobacco	Prices paid for 1927 Crop	
	Average for Whole Season to March 28th	Average for first 3½ weeks after markets opened
Flue.....	6,250,000 lbs. at 33·9 cents.	5,050,000 lbs. at 35·3 cents.
Burley.....	20,566,825 lbs. at 17·8 cents.	13,750,000 lbs. at 19·4 cents.
Dark Air.....	5,042,323 lbs. at 16·4 cents.	2,500,000 lbs. at 19·4 cents.
Dark Fire.....	2,313,035 lbs. at 22·9 cents.	1,625,000 lbs. at 25·6 cents.
Totals.....	34,172,183 pounds.	22,925,000 pounds.

ONTARIO AND UNITED STATES MARKETS COMPARED.—The following table is very interesting in giving American average market prices on different types of tobacco from five of the largest tobacco growing States. These figures, which are available from the United States Department, are published regularly in American tobacco journals, and are no doubt quite reliable. It is exceedingly interesting to note that *in spite of the fact that the tobacco growing industry is so well established in the United States price declines or inclines are based largely on the law of supply and demand.* For example, in the following table it will be noted that Flue cured tobacco, of which there is a large crop, has shown a steady and heavy decline in market prices. On the other hand Dark fire cured tobacco has shown a slight strengthening throughout the season, because of heavy demand and short crop. The Burley has shown the most marked strengthening because of the very short crop, and one which is much below the quantity required for domestic consumption in the United States.

Even so Canadian figures compare remarkably favourably with the American figures, quality and demand considered.

TABLE XI--UNITED STATES TOBACCO MARKETS—AVERAGE MONTHLY PRICES TO PRODUCERS 1927-1928
KENTUCKY

Types	U.S. Type Nos.	November	December	January	February	March
Dark Fire-cured.....	22, 23, 24	\$ 9 31	\$ 10 81	\$ 12 31	\$ 14 97	\$ 12 74
Dark Air-cured.....	35, 36	8 91	9 09	9 67	9 62	7 87
Burley.....	31	18 20	24 08	26 82	26 31	14 17

TENNESSEE

Dark Fire-cured.....	22, 23	.....	16 56	18 81	17 77	18 31
Burley.....	31	.....	26 91	29 39	29 62	.....

VIRGINIA

Flue-cured.....	11	24 19	20 80	17 95	13 07	.....
Dark Fire-cured.....	21	9 53	9 73	11 37	10 80	.....
Burley.....	31	19 39	26 02	25 14

NORTH CAROLINA

Flue-cured.....	11, 12, 13	26 27	21 77	17 94	13 03
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SOUTH CAROLINA

Flue-cured.....	13	Average for season	20 47
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N.B.—Above prices are all quoted per 100 pounds. March statistics for Virginia not available. No monthly figures for South Carolina available.

FURTHER UNITED STATES STATISTICS COMPARING 1926 AND 1927 PRICES.—The two following tables afford interesting information. Table No. 12 deals with the Flue cured yields in the United States in 1926 and shows a light crop, light receipts and a relatively high market. In fact this average price of 24.79 cents was much below that paid in Canada for the Flue crop of that year, which also was much short of immediate demands.

A comparison shows the 1927 United States Flue crop much heavier in gross yield, the gross receipts very considerably higher and the average price 3½ cents lower than the previous year. It is true that this spread between the 1926 and 1927 prices is much less than that of Canada but at least the tendency of Canadian prices to be based on supply, is identical.

TABLE XII—BRIGHT FLUE CURED TOBACCO

District	1926 Crop			1927 Crop		
	Gross Warehouse Floor Sales	Average Price	Estimated Production	Gross Warehouse Floor Sales	Average Price	Estimated Production
Georgia:.....	45,896,928	23.32	41,307,235	69,025,325	18.45	62,122,793
South Carolina:.....	95,712,918	24.03	86,141,626	134,603,763	19.90	121,143,387
East North Carolina:.....	245,025,655	26.32	220,523,090	294,600,505	22.16	265,140,454
Total, Eastern:.....	386,635,501	25.40	347,971,951	498,229,593	21.04	448,406,634
Old Belt:.....	242,832,722	23.80	218,549,450	313,207,759	21.13	281,886,983
Grand Total:.....	629,468,223	24.79	556,521,401	811,437,352	21.07	730,293,617

TABLE XIII—UNITED STATES STATISTICS, 1926-27

Type of Tobacco	Production		Average Price	
	1926	1927	1926	1927
			c.	c.
Dark Fire Cured Total.....	182,910,000	123,793,000	7.8	12.7
Burley—Total.....	301,015,000	209,738,000	13.1	21.9
Green River—Total.....	39,997,000	26,640,000	7.4	8.6
Cigar Binder Types—Total.....	68,948,000	63,946,000	19.6	20.5

NEWER DISTRICTS RECEIVED LOWER PRICES.—At the public hearings witnesses were distinctly asked as to their opinion as to the average prices paid in their district, and some of these witnesses had a fairly accurate knowledge of this subject. Companies stated that companies with old established buying connections in the older established tobacco areas would first purchase a large percentage of their requirements from these districts. Hence buying would be slower in new tobacco growing districts. Evidence obtained at the various meetings might be very briefly summarized as follows, and is an interesting comparison with table No. 10.

Tilbury.—Range in prices on air-cured tobacco from 10 to 17 cents, several companies, however, having bought considerable quantities at from 23 to 25 cents, and some crop as high as 29 cents for Dark fire.

Blenheim.—Considerable crop sold within the range of 10 to 14 cents for air-cured Burley and Dark tobaccos. Nevertheless considerable quantities were bought by several companies, including the Co-operative, as high as 20 to 25 cents, with some Dark tobaccos selling at 28 cents.

Dresden.—Prices ranged from 8 to 17 cents for air-cured Burley and Dark, with some crop selling for 20 cents or more.

Essex.—This is an older district. Apparently less tobacco unsold. Prices ranged from 12 to 21½ cents, purchases being made by several companies.

Leamington.—Here again an older district. Prices on Flue tobacco ranged from 20 to 40 cents, Burley from 15 to 23 cents, and Dark air tobacco proportionately high.

Harrow.—This is another old established district, where little tobacco remained unsold, where better grades of Flue tobacco sold at prices ranging from 35 to 44 cents, and Burley up to 22 cents, with some few crops selling as low as 8 cents.

Kingsville.—This is another district where a relatively small percentage of tobacco remains unsold. Flue prices ranged up to 43 cents, Burley from 18 to 20 cents and Dark Fire tobacco to 30 cents, with a relatively small percentage at lower figures.

Belle River.—This is a newer district, and there is a relatively high percentage remaining unsold, and that of lower quality. Prices in this district ranged from 10 to 22 cents, with some crops still on hand, for which offers have been made at prices around 8 cents. Judging from samples, these were of inferior grades.

Rodney.—Average prices for Burley and Dark air tobacco ranged from 10 to 20 cents, with some crops selling higher than the maximum and a few crops for less than 10 cents. Flue tobacco averaged from 20 to 35 cents.

On the whole, apparently good tobacco even in the newer districts has been largely bought up at fair prices, although some good crops sold later did not bring as much as though they had sold early. Most of the later purchases which have been bought at lower prices have been of lower quality, while the unsold surplus also is largely of inferior quality, and mostly for that reason the prices have been much below the average. Tobacco grown under contract with one company remains very largely in the hands of growers in some new districts and growers are naturally uneasy.

PRICE DECLINES.—All the various companies were carefully interviewed on this subject, and the statements of growers and of the companies carefully compared. The following statements were made by these companies:

(1) British Leaf Company: This company bought practically its full requirements during the first four days after the market opened. The management considered that after the first ten days of buying the balance of crop remaining was mostly poor, excepting that which the Co-operative had contracted, but which was not delivered. The management stated that it tried to get the best quality of tobacco possible, did not want to buy too cheaply to hurt the grower, did not want the low grades, since they were not useful for export, was prepared to pay a fair price, and yet desired to operate at a profit.

(2) Canadian Leaf Company: The management maintained that all the first rush of buying, the first three weeks of the market, carried therewith about the same market levels, quality considered. During that period most of the immediate requirements were filled. Hence naturally with lesser demand there was a tendency toward lower prices. The management states that the Co-operative Company, Kingsville, opening the market at an unnaturally high price did not assist in establishing the true market levels, for its buying operations were short lived. Then the larger buying companies coming on the market at slightly lower levels, really established the market for the season, and all companies came out onto the market on that basis. The unsold crops, after the first rush of buying, were of inferior grades, and hence worth decidedly less.

(3) The Canadian Co-operative Tobacco Growers' Company stated that the largest buying company on the Canadian market usually opens the season's market, thus establishing the price. Other companies very naturally followed. The management stated that it was customary that companies buy part of their requirements, then cease buying, and when going on the market again start at a lower level, but could not definitely state whether this was due to immediate orders being filled or not.

(4) Cooper Field Leaf Tobacco Company: This company attributed the price decline during the present season to no small extent to the failure of the Co-operative to continue buying, also much to the over-production of Burley, especially of low grades. This company attempts to pay a fair price for the best quality, and proportionately less for poorer quality.

(5) Hodge Tobacco Company: This company attributes the lower prices later in the season entirely to poorer quality of the remaining crop and to less keen demand because of difficulty in obtaining orders for lower grade tobacco. The management stated that any company which attempts to arbitrarily open the market at an unduly high level not only hurts itself, but generally disorganises and hurts the market throughout that season.

(6) The Imperial Tobacco Company attributes the decline very largely to decreased quality of remaining crop, stating that after a company reaches the point where its requirements are reached, naturally it is less anxious to buy. This company, one of the largest buyers, states that at the opening of the season they offer what they can afford to pay for the best crops, and do their best to purchase all the best crops which they can handle. This company is still

(March 28th) paying up to 18 cents for tobacco if the crop is worth buying and this in spite of the fact that they are very heavily stocked from having made enormous purchases of the 1927 crop. In fact at the end of the third week this company had over-purchased its immediate orders. This company also states that their first offers on a crop in an average season is what they think they can afford to pay for this crop, and if refused and the tobacco is still to be used by them at a later period, they usually offer somewhat less, maintaining that if they offered more it would completely demoralize the present buying system, as first offers would then be refused and the companies would not know how or when they might be able to purchase their requirements.

(7) Leamington Tobacco Sales Corporation: Of the Burley purchased by this company, 84 per cent of the choicest grades were purchased within the first few weeks of the market, many of these prices ranging up to 25 cents per pound. The manager humorously stated that in his opinion "tobacco buying amongst different companies somewhat resembled a poker game, in which each company tried to put the other company in the hole". This company with others deplored the tendency on the part of any company to attempt to establish and force a high market price above a level which the manufacturers in Canada or Great Britain were prepared to pay. Such practice is disorganizing and often loses good orders for old established companies some of which may not then be placed in Canada. The manager stated that in his opinion 90 per cent of the best crop in 1927 was purchased during the first fourteen days of the market.

(8) Ross Tobacco Company: This company started buying late in the season, and it states that it has held even prices, quality considered, since starting its buying operations, but claims that other companies early in the field naturally absorbed the cream of the crop and that naturally lower prices prevailed for the remaining crop of lower grades. "This company is still buying and is prepared to pay top prices for their buying operations for the season, quality considered".

PURCHASES BY MANUFACTURERS OF 1927 CROP:—Of the various manufacturing companies visited all have absorbed at least an average quantity. A number have bought a great deal more than in 1926 or any other year. Practically all the manufacturing companies agree that the *high price for the 1926 crop was a real set-back to the Canadian tobacco production industry because of the fact that these prices were for very low quality tobacco*; hence did not emphasize that only high quality tobacco was deserving of high prices and high profits.

Moreover, processing and manufacturing companies alike agreed that the high priced and low quality 1926 crop was distinctly detrimental to the Canadian export trade and had a detrimental effect in popularizing Canadian tobacco on the British market. Some companies stated that they had lost substantial orders which they could not or would not fill, due to either high prices or poor quality, or both, of the 1926 crop.

VI. EXPORTS OF CANADIAN TOBACCO

The following table shows the exports of Canadian tobacco of different types during the years 1926 and 1927. The figures were acquired from the books of the various processing companies. With two of the companies, the 1927 figures given were only approximate, since their export operations had by no means ceased, and the percentage of the export grades which they would get from leaf as yet unprocessed would somewhat influence the gross quantity exported.

TABLE XIV

	Flue	Burley	Dark Air	Dark Fire	Total
Exports Canadian Leaf, 1926	5,250	3,573,400	2,185,959	406,478	6,171,087
Exports Canadian Leaf, 1927.....	0	4,305,600	1,582,323	1,715,035	7,652,959

Of the 1926 crop one company exported 80,000 pounds which, unfortunately, being of low grade was not accepted and this was returned to Canada and absorbed in domestic trade.

Another company exporting claims to still have unsold in storage in Great Britain 800,000 pounds of 1926 crop.

Of the 1927 exports very little remains which has not been definitely sold, as practically all this year's export has been on specific order, and if still in storage in warehouses in Great Britain at least the selling thereof rests in the hands of other than Canadian companies.

TYPES FOR EXPORT.—Of the eight processing companies operating in South-western Ontario all emphatically stated that *Dark Fire tobacco was by far the most promising type which Canada could grow and export to the British market.* All agreed that our *Dark tobacco should be fire-cured.* Two companies only stated that Burley should be grown for export and these guardedly stated that quality was a determining factor as to the successful establishment of this type on the British market. One company stated that Canadian flue tobacco should be grown for export, while another stated equally positively that the Canadian Flue could not compete on the British market with cheaper Flue tobacco produced in India, Rhodesia, and Nyassaland.

The varieties of the Dark types recommended for export were Greenwood and Snuff Seed for leaf and Yellow Pryor for strips and of Burley, Stand-up Resistant was generally advocated.

FAILURE IN SELLING 1926 EXPORTS STILL IN BONDED WAREHOUSES IN GREAT BRITAIN.—As is well known, this unsold surplus was exported by the Canadian Tobacco Growers' Co-operative and represents about 800,000 pounds still in storage, according to evidence.

Evidence was obtained from one witness at the St. Thomas meeting to the effect that he had seen this tobacco, had seen some of it taken from the casks in a mouldy condition, due to its being packed with too high moisture content. How much of this large quantity was in this condition he was not prepared to say.

Whether the failure to sell this crop is due to the grower producing low grade leaf or the processing firm not properly grading this leaf, whether this is being held at too high price or is practically unsaleable due to mixed grading, high moisture content or mould, is not definitely known. *Only by a careful examination by expert tobacco men could a true description be given, and this tobacco properly valued.*

It is the opinion of the commission that this unsold surplus is not popularizing Canadian tobacco on the British market. On the other hand, Managers of two of Canada's best companies stated that from the best information which they are able to obtain, this tobacco is of such low grade that it can not compare with the good quality tobacco exported in 1927, hence is not in any way damaging sales. Again the expert opinion of one of the most experienced tobacco handlers and exporters in Kentucky was to the effect that only in case of a tremendous shortage in Great Britain would this tobacco be absorbed because of its very low grade, poor packing and grading and tendency toward unsoundness, and that even under those conditions probably 20 cents per pound would be its maximum valuation.

The Canadian Co-operative Company, on the other hand, stated that "there was only 100,000 pounds which contained too high a percentage of moisture, and of that very little was mouldy. The balance was all well graded, valuable crop, being held for higher market."

DOES THE CANADIAN PRODUCER BENEFIT BY FORTY-NINE CENTS EMPIRE PREFERENTIAL TARIFF.—All the growers felt that at least a considerable portion of this Preferential Tariff should reach the grower in the form of materially increased price for Canadian leaf tobacco.

On the other hand, *all parts of the British Empire have the same Preferential Tariff* and a casual glance at monthly tobacco reports by such reliable firms as Frank Watson and Company, or Edwards, Goodwin and Company, show that Africa and India are placing tobacco on the British market and selling at prices much lower than Canadian prices.

All the eight processing companies, as well as the several large and small Canadian manufacturing companies, gave evidence on this point. All agreed that *the Canadian producer is benefiting by this Preferential Tariff, purely because it provides a market.* Practically all admitted that this Preferential Tariff was intended to benefit and is now benefiting the consumer of tobacco in Great Britain, in that he is paying proportionately less for his manufactured product. Eventually, once these cheaper tobaccos, sold as Empire mixtures, become firmly established on the British market, the British manufacturer will probably absorb part of the Preferential and the consumer the balance, but in any case it means lower prices of tobacco to the British consumer.

Mr. Picard of the Rock City Tobacco Company made a statement worthy of quotation: "If it takes fifty years to educate the Canadian consumer to the high quality and flavour of Canadian grown tobaccos, it is futile to expect that this can be done immediately to the British consumer." There is no doubt that manufacturers of smoking tobaccos or cigarettes must protect their brands, and cannot run the risk of making radical changes in types, quality or flavour of the leaf used. Moreover, any changes made must be based on acceptability by the consumer as well as constancy of supply of the desired types and grades.

Finally, it must not be forgotten that Africa and India have very low production costs, are now under-selling Canadian tobacco from 8 to 15 cents per pound on the British market, and Canadian growers in order to compete must make every effort to reduce production costs and to improve quality materially.

In this connection, it is of interest to note that at the twenty-sixth annual general meeting of the Imperial Tobacco Company held at Bristol, February 21, 1928, important announcements were made relative to the development of special use and manufacture of Rhodesian tobacco, from which country excellent cigarette leaf may be obtained. The Imperial Tobacco Company now intends putting out a special, carefully blended, Rhodesian brand, which though different in flavour from the United States Flue tobacco, will be most acceptable to the British consumer. It is evident that considerable research has been under way

in Great Britain by the Imperial Tobacco Company of Great Britain toward the most satisfactory use of Rhodesian tobacco, and it is hoped that Canadian tobacco may receive similar consideration by manufacturers of smoking mixtures.

Finally in this connection, it is interesting to note that Canadian tobaccos of the Dark Fire type have been exceedingly popular on the British market this year, some of the finer shipments realizing as high as 61 cents per pound, which in itself is exceedingly promising for the future of the Canadian export tobacco trade.

COST OF PROCESSING AND EXPORTING TOBACCO.—Canadian tobacco growers, lacking experience in processing and shipping, are apt to come to quite erroneous conclusions when observing market quotations of Canadian tobacco on the British markets. Hence the following information should be of value.

Good Dark Fire tobacco selling at 30 cents per pound during the year 1927 would undoubtedly be considered of rather exceptional quality, and extremely top price.

A really choice crop of this kind should grade 60 per cent "leaf," 20 per cent "lugs" and 20 per cent "trash." At a basic price of 30 cents for the total crop it would mean that the leaf would then be worth 42 cents, lugs 15 cents and trash 9 cents per pound.

Shrinkage in processing the "leaf" would be 16 per cent or more. Re-drying, classifying and packing costs would be at least 5 cents per pound dried weight, and other freight, warehousing and selling charges through ordinary brokerage channels would be approximately 6 cents per pound on the redried weight. Hence, the "leaf" grade would actually of necessity have to sell at 61 cents per pound on the British market, if 30 cents were paid for the total crop to the producer.

In like manner, the "lugs" if steamed would shrink $33\frac{1}{3}$ per cent, redrying and other costs would be the same as with "leaf," and hence the "lugs" would have to sell at $34\frac{1}{2}$ cents per pound, if the crop were bought at 30 cents.

Finally, and in like manner, the "trash" of this crop would have to sell at $25\frac{1}{2}$ cents on the British market.

Inferior crops of tobacco would probably contribute only from 30 to 55 per cent of leaf grades. Hence with a little careful calculation any producer might readily figure the proportionately lower price which a processor can afford to pay for crop run therefor. This in itself should be the finest argument to the producer as to the absolute necessity for taking most thorough precautions in order that high grade crop may be produced.

EXPORT TO GREAT BRITAIN

It is of interest to note the following taken from a reliable monthly tobacco report in Great Britain, dated February 8, 1928:—

Colony Supplying Tobacco	Stocks on Hand in Great Britain January 31, 1928	Imported to Great Britain 1927	Imported to Great Britain 1926	Imported to Great Britain 1925
	lbs.			
Canada.....	4,112,450	5,619,923	4,892,386	1,848,533
British India.....	13,429,300	8,555,221	12,216,058	7,965,987
Nyassaland.....	16,464,900	14,033,665	9,157,582	7,300,385
Rhodesia.....	11,009,800	10,947,000	2,323,322	993,863

Further evidence as to the acceptability on the British market of the 1927 tobacco produced in Western Ontario, and an indication as to the relatively

bright future in store for Canadian tobacco on this market, are found not only in the good sales of Canadian leaf on the British market during the past few months, but also as evidenced in numerous reports such as the following:—

"Edwards, Goodwin & Co.—Canadians of the new crop were in demand, owing to their improved qualities, and the better classes in both Leaf and Strips were taken readily."

"Frank Watson & Co.—In Colonial tobaccos, advanced samples of the 1927 Canadian tobacco, which have reached the market recently, indicate a crop of very good body and colour, well cured and unusually clean, and as sellers will be able to reduce somewhat on last year's prices, the crop should meet a ready market."

VII. IMPORTS OF LEAF INTO CANADA

According to statistics from the Trade and Commerce Department of the federal government, importations in the year 1926 of raw leaf into Canada amounted to 14,943,864 pounds, and in addition thereto manufactured tobacco to the extent of \$1,213,694.

Since our importations are largely from the United States, American figures as to export to Canada afford a fairly reliable source of information. The following figures obtained from the United States Department statistics as to exports to Canada might then be considered to fairly represent Canada's imports of tobacco during the year 1927.

It is evident from this that the excellent growth which has been made in tobacco production in Canada still leaves greater fields for development and as the plant breeders develop strains which will be adaptable to Canadian soil and climatic conditions, and which in quality and flavour will more closely resemble the American tobaccos which are so popular amongst the manufacturers and consumers, Canadian imports may be reduced.

IMPORTS OF LEAF TOBACCO FROM THE UNITED STATES TO CANADA DURING THE CALENDAR YEARS 1925, 1926 AND 1927

	1925		1926		1927	
	Quantity	Value	Quantity	Value	Quantity	Value
	lbs.	\$	lbs.	\$	lbs.	\$
Bright flue cured.....	9,444,813	2,382,054	13,517,316	3,482,316	13,036,511	3,416,018
Burley.....	16,790	7,136	73,861	23,744	56,813	18,111
Dark fired Kentucky and Tennessee.....	553,869	245,002	282,123	94,503	197,486	76,747
Dark Virginia.....	363,461	100,008	19,941	10,158	283,492	96,073
Maryland and Ohio Export.....	36,855	11,472	32,670	9,527	24,890	9,632
Green River (Pryor and one Sucker).....	40,848	10,683	68,290	22,387	62,285	19,581
Cigar Leaf.....	330,922	229,196	141,565	116,204	202,728	134,181
Other Leaf Tobacco.....	1,168,745	431,452	1,371,755	480,365	1,506,143	437,786
Totals.....	11,956,303	3,417,003	15,507,521	4,239,204	15,370,348	4,208,129

VIII. FACTORS GOVERNING PRODUCTION OF HIGH GRADE TOBACCO LEAF IN CANADA

From a large amount of evidence collected at all the public hearings, the Commission presents herewith a summary only.

1. SUITABILITY OF TYPE OF TOBACCO TO SOIL.—From evidence obtained at public hearings and from the processing companies, it is quite evident that, especially in the newer tobacco growing districts, large numbers of producers are attempting to grow a type not suited to their soil conditions.

According to evidence of producers in the older tobacco growing areas, from 10 to 20 per cent of the growers could be more careful in this regard, while in the newer tobacco areas from 40 to 80 per cent could be more careful. These figures are substantiated by the evidence from the processing companies. There is no doubt that greater experience amongst the growers and more careful study on the part of all tobacco producers will cause a material improvement in this regard, which in turn will be reflected in a marked improvement in the quality of Ontario tobacco as a whole, particularly as to body, colour, and face of leaf.

In all fairness, however, it must be said that in the older tobacco producing areas, the very large percentage of the growers through careful study and long experience have learned to use not only the proper type but also the proper variety best suited to their soil and market conditions.

2. ARE SUITABLE CROP ROTATIONS GENERALLY FOLLOWED IN THE TOBACCO AREAS?—In many of the newer tobacco growing districts, tobacco has been worked into the regular farm rotations and a large percentage of the farmers in these districts are good farmers, hence for the time being at least probably no radical changes are needed. In the older tobacco growing districts land values in the Flue areas have reached such a high point that growers can scarcely afford to follow any lengthy rotation of crops, since it would mean that a too small percentage of their area would be in tobacco each year. That this lack of rotations has been responsible for the gradual decline in the yields, in spite of very heavy applications of commercial fertilizers, is admitted by many of the more experienced growers. This condition would not prevail in the new Norfolk Flue growing areas, hence it is hoped that these growers may maintain suitable rotations for this type of leaf.

In some of the newer and a few of the older tobacco growing areas a large number of the growers are following no systematic rotations, and even a higher percentage could materially improve their rotations in order to produce the most economical crops of the best quality of tobacco. *One witness in the Essex district made the statement that fully 50 per cent of the tobacco could be improved in quality by better rotations and better growing methods.* It is quite evident that the experimental work on the subject of rotations at the Dominion Experimental Station, Harrow, is of distinct importance and worthy of careful study on the part of all tobacco growers.

3. PREPARATION OF THE LAND FOR THE TOBACCO CROP.—Probably there is no more variation in efficiency amongst tobacco growers in the preparation of seed bed for the transplanting of the tobacco crop than there is amongst farmers producing other farm crops. Nevertheless, prominent growers give evidence such as the following:—

At Chatham, a prominent grower stated that not more than 10 per cent of the growers in that area thoroughly prepared the fields before transplanting.

At Tilbury, one of the most experienced and successful growers who gives his soil special attention, reluctantly stated that a large percentage of his neighbours were careless, while all witnesses admitted that the average farmer in the district could materially improve his cultural practices in preparation for the crop.

At Blenheim, there seemed to be a much higher degree of average efficiency, which condition also prevailed at Leamington.

At Dresden, one of the most prominent growers stated that not five per cent of the farmers gave sufficient care to the preparation of the soil and in cultural practices throughout the growing season, while all witnesses admitted that a large percentage of the growers could materially improve their methods.

At Rodney, not 50 per cent of the growers are giving sufficient care to rotations and field preparation, according to one witness.

It is evident, then, that the quality of Ontario tobacco might be materially improved by greater average thoroughness in the preparation of the land for the tobacco crop and in more thorough and persistent cultivation of the crop throughout the growing season.

4. SOIL DRAINAGE.—In a large number of the tobacco areas, witnesses frankly admitted that a considerable proportion of their crop and of their neighbours' was planted on ill-drained soil. Even in a year when flooding was not common, the yield and quality of the crop from such land would be indifferent to poor. During the past season, considerable areas of tobacco on badly drained soil were severely damaged by flooding due to lack of proper care in underdrainage or surface drainage. Needless to say, unsatisfactory and low yields of poor quality did not decrease the cost of producing the tobacco. Even in a normal year, the result is a product of little value and little demand.

5. PREPARATION AND STERILIZING OF SEED BEDS.—Although there still remains a marked lack of uniformity in the type of seed beds which now vary from permanent glass houses to primitive types of hotbeds, yet on the whole the growers have made tremendous improvements in this regard. It is true that a certain percentage of the growers still prepare their beds too late, which means late planting and an immature crop of low quality. Again, others are not sterilizing their seed beds and in consequence, diseases not only in the seed beds but in the young plants after transplanting cause material loss, necessity for replanting, and in turn, late, immature crops of poor quality. On the whole, however, older experienced growers are adopting the most efficient and modern type of seed beds and are making every effort to produce early, vigorous, hardy plants free from disease in order that the crop may be planted early, properly matured, and thus result in high quality leaf.

6. THE USE OF PURE SEED.—In the older tobacco growing sections, experience has taught the growers the necessity of having pure seed free from mixtures, of high germination test, and preferably Northern-grown and acclimatized seed of the proper varieties. On the other hand, some careless producers, and many of the beginners, fail to appreciate the importance of this point, and in consequence far too high a percentage of the crops in southwestern Ontario shows a mixture of varieties and types which is detrimental to the general quality and value of the crop. Many of these growers are attempting to produce their own seed and are careful in selecting vigorous plants, typical as to variety, and properly bagging the seed head in order to guarantee purity of seed therefrom. Others, on the other hand, are producing seed in the most careless manner, not making selection of individual plants, not bagging the seed heads, and are attempting to produce this seed within a very short distance of unbagged blossoms of other varieties. It is little wonder then that some of the crop from these growers is of a mixed type, in fact much of it appearing of a hybrid type.

The percentage of farmers using poor seed appears to be relatively small as judged by the evidence given by the 8 tobacco processing companies. These companies have very little complaint, excepting in Dark tobacco where apparently there is more mixture of types and varieties in the seed than in other classes. Many of these companies are, for the convenience of growers

from whom they purchase tobacco, obtaining and distributing satisfactory seed of the best varieties obtainable. A large percentage of this seed is produced by the Dominien Experimental Station at Harrow, Ont., which Station distributes seed direct to farmers and also indirectly through these companies.

7. EARLY PLANTING.—It is quite evident that in some of the newer tobacco districts and amongst newer growers insufficient attention is being given to the subject of early planting in order that the crop may reach sufficient maturity to be of good quality. Witnesses freely admitted that through inexperience, they produced green, immature, thin-bodied leaf of Dark tobaccos and other types.

8. PROPER TOPPING.—In the older tobacco growing sections, the large majority of the farmers through experience have come to an appreciation of the fact that it pays to top a crop reasonably low in order to induce proper maturity. Green tips which are still all too common amongst the older growers can be avoided by earlier and lower topping. In this way, the top leaves instead of being of little value can and should in most types of tobacco be the finest leaves produced on the plant.

In the newer tobacco sections, in an average season, a very large percentage of the farmers lack experience in this regard and are attempting to produce from two to four leaves per plant too many. In a season where for various reasons the crop is more immature than normal, these growers fail to appreciate that by still lower topping they may still produce almost as large a yield and of first quality, in spite of these adverse conditions.

At Chatham, prominent growers admitted that not more than 25 to 50 per cent of the growers properly topped their crop. The same evidence was given by numerous witnesses at Tilbury. Even at Blenheim, a number of growers top too high and too late as evidenced by the samples of tobacco produced and statements given. On the whole, the more experienced growers of air and fire cured tobacco admitted that from ten to twelve leaves did give, as a rule, fully as great a crop and of much superior quality, to the fourteen leaves which were so commonly left on the plant.

9. PROPER SUCKERING.—Throughout the various tobacco districts visited by the commission, even in the older sections, there is evidence that too many growers do not appreciate the importance of frequent and thorough suckering during the growing season. No fixed rule for proper procedure is possible since there is a variation in the growth of suckers due to seasonal conditions, soils and type of tobacco. Nevertheless, of the low grade tobacco produced during the year 1927, much of this was from crops which had been suckered only once or twice, where the suckers had been allowed to grow to considerable length, thus sapping the leaf of very necessary nourishment, and in consequence the crop produced was later maturing and lacked body and quality. More experienced growers admitted that frequent suckering was, as a rule, more cheaply done. For example, the sucker from two to three inches in length is pulled at half the cost of suckers attaining a length of five inches or more, and less damage is done to the leaves on the plant. There is no doubt that this problem is deserving of careful consideration on the part of all growers who hope to produce high quality tobacco leaf.

10. DOES PRIMING PAY.—A few of the older experienced growers of Dark Fire and air cured tobacco frankly admitted that in an average season priming off the lower sand leaves during the growing season is most profitable as it hastens the maturity of the crop from seven to ten days and produces a better quality of tobacco leaf. In addition, it is leaving this very low grade and almost worthless tobacco in the field as a fertilizer, where it rightly belongs. A few growers

do not prime fearing that the upper trash leaves would thus be exposed to contact with the soil, and in turn would become low grade sand leaves. On the other hand, most of those having the greatest experience admitted that it was sound practice. From 95 to 98 per cent of the growers of Dark Fire and Burley tobacco did not prime, and apparently in the newer districts only a small percentage have ever heard of this practice as one of importance.

11. DUST AS FACTOR IN REDUCING QUALITY AND VALUE OF TOBACCO LEAF.

—Witnesses at public hearings admitted that some farmers were undoubtedly careless in allowing dust to accumulate on the tobacco leaf. Some of this is due to growers not having suitable buildings for tobacco and attempting to do tobacco curing in their farm barns where hay, straw, and other dusty materials are stored and continuously moved. Others frankly admitted that threshing was very often done either in close proximity to the barns or even in the barns themselves, thus materially injuring the crop.

There is no doubt that threshing dust and barn dust are two important factors in reducing the quality of Canadian leaf.

All the tobacco processing companies were carefully questioned on this point and the percentage of damage reported varied considerably. It was generally agreed that at least 10 per cent of the growers with whom the companies dealt allowed their crop to be seriously damaged by threshing dust, and at least 25 per cent of the tobacco was damaged through threshing or barn dust. In some districts, estimates were placed as high as 80 to 85 per cent of growers who allowed some damage to their tobacco in this regard. Growers would be well advised to give this subject thoughtful consideration.

12. LANDLORD *vs.* SHARES SYSTEM IN PRODUCING BEST QUALITY TOBACCO.

—There is quite evidently a difference of opinion amongst the growers themselves on this particular subject. There is no question that a very high percentage, estimated at from 40 to 60 per cent in 1927, of the tobacco in southwestern Ontario is produced on the Shares system and that this is a well-established and satisfactory practice in some districts.

If the Shares-grower is an experienced tobacco grower, energetic, and determined to produce a valuable crop, and at the same time is prepared to devote his whole attention to this work, there is every reason to believe that growers and companies that contended that the Shares system was satisfactory are quite correct.

On the other hand, there are many owners inexperienced in tobacco growing who are in-and-out tobacco producers according to market fluctuations, who are gambling on the crop, and who are either unfortunate or insufficiently experienced to select capable Share-growers. In consequence, they often produce very inferior type of tobacco.

Of the eight processing companies interviewed on this subject, six frankly admitted that the landlord producing his own tobacco generally produces the highest quality and most valuable leaf. One company stated that from their experience, there was very little difference between the two methods, while one most important company stated that in their experience, the Shares system was on the whole best.

Landlords continuing on this system should give still greater care toward the selection of experienced growers. Moreover, it would be most profitable if these landlords so financed their Share-growers that they might be able to devote their full time to this work of tobacco production, rather than be compelled to go to the sugar beet fields or elsewhere in order to earn sufficient cash to finance their living during the tobacco growing season.

IX. COST OF PRODUCTION OF CURED TOBACCO LEAF IN SOUTHWESTERN ONTARIO

The commission fully realized that but few growers might have accurate costs and that but little information of value would be available. Nevertheless, it made every effort to get all available statements and estimates, since this subject was one of some controversy. These are given herewith, but in presenting them, it is necessary to make the following observations:—

(1) These figures are only on the acre basis. Some of the higher estimates were accompanied by low yields, hence ruinous costs per pound of tobacco.

(2) With the exception of the figures from the Harrow Station and from three growers, all are estimates only.

(3) All figures include interest on investment, depreciation, fertilizers and all costs of growing and curing.

(4) The efficiency of the producer largely determines cost per acre and what is even more important, cost per pound of tobacco.

(5) High yields of high quality leaf will no doubt cost more per acre than low yields of low quality, but cost per pound will be less and profit per pound or per acre very much greater.

(6) It is unfortunate that so few growers attempt to keep costs, especially in relation to quality and sale values.

COST OF PRODUCTION OF LEAF TOBACCO IN ONTARIO
Per Acre

—	Flue	Burley	Dark Air	Dark Fire	Remarks
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
Harrow Station costs.....	219 09	190 14	190 14	.....	Actual costs 4 years average.
Ontario survey estimate.....	272 73	.....	.....	.....	Survey estimates.
C. British Leaf Tobacco Company.....	.....	100 00	.....	145 00	Estimate only.
D. Canadian Leaf Tobacco Company.....	225 00	.....	.....	.....	" "
E. Canadian Tobacco Growers Co-operative.....	165 00	140 00	140 00	140 00	" "
F. Cooper Leaf Tobacco Company.....	.....	.....	.....	140 00	" "
G. Hodge Tobacco Company.....	.....	.....	.....	.....	" "
H. Imperial Tobacco Company of Canada.....	200 22	130 12	.....	.....	" "
I. Leamington Loose Leaf.....	216 00	120 00	120 00	120 00	" "
J. Ross Tobacco Company.....	225 00	85 00	85 00	95 00	" " Few witnesses had any idea as to cost.
Chatham witness.....	.....	200 00	.....	.....
Tilbury witness.....	.....	180 00	175 00	175 00	
Blenheim witness.....	.....	140 00	.....	.....
.....	.....	164 45	200 00	.....
.....	.....	160 00	200 00	.....
.....	.....	150 00	.....	.....
Essex witness.....	.....	.....	.....	.....	Estimate only. 2 only had any accurate figures.
Leamington witness.....	285 00	200 00	.....	200 00	No one with any knowledge of cost.
.....	255 00	.....	.....	.....	Estimate only, few had even that.
Dresden witness.....	.....	.....	160 00	.....	Estimate only, few had any idea of cost.
.....	.....	.....	100 00	.....
Harrow witness.....	250 00	.....	.....	120 00	Estimate only.
Kingsville witness.....	220 00	.....	.....	.....	" "
Belle River witness.....	.....	150 00	.....	.....	" "
Rodney witness.....	.....	Same as Harrow Stn.	.....	.....
St. Thomas witness.....	175 00	150 00	150 00	119 00	
London witness.....	.....	140 00	.....	.....	No one with any estimate per acre.
Averages.....	225 57	149 92	152 01	139 35	

X. CURING TOBACCO FOR HIGH GRADE LEAF

In the older tobacco producing section of southwestern Ontario growers are well equipped with suitable barns or kilns, which are so essential if high quality leaf is to be produced. Unfortunately in many of the newer districts such buildings are yet in the minority. In the production of flue-cured tobacco kilns are as a rule satisfactory in type and sufficient to handle the crop. It is, however, in the air-cured tobacco districts that the great difficulty prevails and often growers put in more crop than they can properly house in their available tobacco barns. In consequence they are compelled to use farm buildings for this purpose. This surplus crop cured in straw and hay barns after injury from dust often is responsible for the grower receiving a lower price for his total crop.

It is admitted that practically all of the dark tobaccos should be fire-cured and as yet sufficient firing barns are lacking. There still remain differences of opinion as to the structure and firing methods and no doubt experimental work and further experience in this method of curing under Canadian conditions are much needed.

However, whatever the type, all tobacco growers are especially warned to produce an acreage only in proportion to suitable buildings for the proper curing thereof.

METHODS OF CURING.—In flue curing Ontario growers still find it most profitable to depend on the Southern States for expert labour. It is unfortunate that there are not a sufficient number of experienced labourers in Ontario to become expert flue curers for although the majority of the older flue curers are expert curers, yet during the harvest season their time is taken up entirely with the equally important work of supervising harvesting operations. As long as southern expert curers may be obtained in sufficient numbers and at the proper season, Ontario flue tobacco growers apparently need have no worry in this connection, for these imported curers are experienced, apparently appreciate the few weeks' work in Canada, and their wages are not greatly in excess of prevailing rates for inexperienced labour in Ontario.

The landowners or their share-growers, however, are solely responsible for air curing in Ontario. During recent years greater care has been taken in the methods of air curing and although there still remain a certain percentage of careless growers producing barn-burned and generally inferior air-cured tobacco, yet that percentage is rapidly decreasing.

The fire curing of Dark tobaccos is one of the most recent methods introduced into Canada, and it would appear that as yet but a small percentage of growers are sufficiently experienced in this work. However, three of the leading tobacco processing companies, interested especially in the export trade of this type of tobacco, have been instrumental in doing considerable demonstrational and educational work. Unfortunately as yet most of the Canadian growers attempting to fire cure are under the misapprehension that smoke rather than heat is the essential factor, but the use of too little heat, and that at the improper time, is responsible for the production of a leaf lacking in finish and sweetness of flavour and in which there has not been sufficient shrinking of the stems.

If Ontario Dark fire tobacco is to compete with and replace Kentucky tobacco of this type on the British market every effort must be made by the growers to become experienced in this process.

XI. GRADING TOBACCO

STRIPPING GRADES.—This problem was carefully discussed with witnesses at all the public meetings and also with the eight processing companies operating throughout southwestern Ontario. There is no doubt that the present methods followed are distinctly detrimental to the tobacco industry in Canada. The average grower lacking education in the technique and the importance of proper grading at stripping time, does the least amount of work possible in this connection. The reason for this is that the various companies have different requirements and a large number of these companies have not devoted the time and attention to impressing upon the grower the advisability and in fact necessity for care and thoroughness in this operation. It is improbable that a higher percentage of growers are dishonest in their grading at stripping time than growers of other agricultural commodities who do grading of their own product, but the average tobacco grower lacking experience in grading and the knowledge of the relative values of different grades, or the different methods of comparing different grades in manufacturing naturally is relatively indifferent on this subject. During the public hearings excellent evidence was given by experienced growers, which no doubt will be of distinct value to less experienced neighbours.

The present methods of grading at stripping time requested by practically all the various companies is that of two grades, namely sand leaves and leaf. Even with this very elementary grading, tobacco is delivered in which sand leaves are found throughout the hands of leaf grade.

HOW MAY STRIPPING GRADING BE IMPROVED.—There is no question that tobacco leaf may be divided into the main groups or grades easiest and cheapest as it is being stripped from the stalk. This can never be done as well at a later date, for the location of tips, leaf, lugs and trash on the stem at time of stripping clearly define those four groups of tobacco leaf. With air cured and fired tobacco the three latter groups are adequate. Moreover the general colour of the leaf in relationship to the balance of that particular group may also be best determined at time of stripping at least to the extent in leaf of making three grades—light, dark and green, and of lugs—light and dark. Since then this general grading of tobacco may be best done at the time of stripping and since it may be done cheapest at that time it is in the best interest of the tobacco industry that growers become seized with the importance of this work and take steps to train themselves and their help accordingly. This should not be confused with the more thorough elaborate grading system which of necessity should be done in the factory where leaf must be carefully and accurately graded on the basis of size and possibly also on finer differentiations in colour.

SHOULD GROWERS ADOPT THIS MORE THOROUGH GRADING AT STRIPPING.—The opinion of the growers was obtained at all the meetings and since this is an important problem the following details are worth recording:—

Tilbury: At this meeting practically all the witnesses admitted that the growers should adopt a five or six group grading system at stripping time, but admitted frankly that they needed carefull instruction in this regard and that probably many growers might not become efficient in this procedure unless the financial advantage were clearly demonstrated.

Blenheim: At this meeting a large number of witnesses were practically unanimous in stating that the adoption of stripping grades would aid the farmer in getting a better price for his product. All agreed that the present method of barn buying without even having seen the tobacco stripped into proper grades, was to the disadvantage of both grower and purchaser, although the latter

usually offered sufficiently less for the crop than he thought it might be worth in order to overcome any error in judgment as to how the crop might grade out. All unanimously agreed that growers should realize that tobacco should sell on the basis of grades.

Essex: All the witnesses at this meeting, likewise favoured the adoption of better standards of stripping grades; one witness doubted if the tobacco companies could be depended upon to pay the farmers for this extra labour in grading, but the same witness admitted that the companies might have equal grounds for doubting if the farmers were capable of or would conscientiously follow such grading system under present conditions.

Leamington: This meeting also showed that witnesses were in favour of better stripping grades, providing the work was uniformly and conscientiously done by the growers and that the companies appreciating this would pay proportionately for the crop.

Dresden: Practically all were unanimously in favour of more thorough stripping grades, being of the opinion that it would be more profitable to the grower, would allow better marketing on a basis of quality even with the present selling methods, thus inducing farmers to produce better quality leaf.

Harrow: Even in this old tobacco growing district some of the more experienced growers emphatically stated that if stripping grades were generally adopted it would be an advantage to the grower as well as to the buying companies. This was strongly supported also by growers at Kingsville.

Belle River.—Most of the witnesses were not very conversant with this subject of stripping into different grades as most of the growers here have been producing for only one or two years. One witness, however, a man of many years experience in Kentucky, who has been most successful in his operations in Canada, gave excellent evidence, and admitted frankly that he now grades his Dark Fired tobacco into six groups at time of stripping, that he could train his help in this operation with little difficulty and that the increased cost for stripping into six grades is small as compared with the increased sale value of his total crop. There is no doubt that the success of this grower in selling his crop at the top price is due largely to his efficiency as a grower, curer and stripper.

Other meetings showed similar evidence and at many of these meetings one or more experienced growers admitted that they were now stripping into five or six grades and found it distinctly profitable.

THE OPINION OF THE BUYING COMPANIES.—Practically all the companies admitted that the present grading done by a large percentage of the growers was not as satisfactory as it should be. When asked how many grades should be adopted, a distinct variation in opinion was evident. The most of these companies suggested four grades for air and fire cured tobacco and also four grades for flue cured tobacco. Two of the companies advocated six grades as above suggested.

On the other hand three of the eight companies stated that the adoption of a six group grading system at stripping for Burley and Dark tobaccos would at the present time be unsatisfactory since a large percentage of the growers would not, or were incapable of doing this work, hence the product would have to be regraded even along these lines at the warehouse. Practically all the companies admitted that without a keen interest on the part of the grower and a very considerable amount of demonstration work probably no more than 5 per cent of the present growers would be capable of adopting and uniformly practising the grading system calling for six grades. Nevertheless practically all admitted

that they would gladly pay the grower extra for this grading if it were well done. A number of the companies stated that they would pay one cent more on an average for the crop if this practice were generally adopted.

The company which was most emphatic in stating that they were not in favour of adopting this grade system at the present time because the farmers were not in a position to follow it, has offered an intermediate step in this direction, namely that Burley and Dark tobaccos be divided into three grades, namely trash consisting of the four bottom leaves, tops consisting of the two or three top leaves and the balance of the plant the third grade. This admittedly is a crude grouping, but if adopted for a year by all growers and companies would possibly be a step in the right direction.

This same company suggested that in Flue cured tobacco the following four grades should be immediately adopted, namely sand leaves, bright, red and dark.

In the stripping of Burley even on the basis of the three above grades, farmers should throw out entirely some of the poorest trash, barn burned and frosted tobacco, while Dark tobacco should be all primed in the field thus eliminating this worthless trash.

Growers when asked if demonstrations in grading would be popular in their district unhesitatingly stated that they favoured the same, although still unwilling to commit themselves as to whether they would adopt this practice.

It is certainly necessary that the buying companies get together on this subject, coming to some common agreement as to what should be done in the immediate future, and in succeeding years, towards inducing and encouraging farmers to use more profitable practices in grading at stripping time.

DELIVERING STRIPPED TOBACCO.—Evidence was obtained from all the companies as to their suggestions as to improvements which might be made in delivering stripped tobacco. Practically all the companies stated that they were satisfied with the present system of baling and preferred it tied in hands as at present. There were three common faults mentioned and the Commission verified these in examination of tobacco in the warehouses. These were:—

- (1) Some growers are still tying in hands which are too large.
- (2) Some growers are still attempting to tie a certain per cent of trash into the centre of hands of leaf grade.
- (3) Baled tobacco often contains hidden in the centre a certain percentage of stalks and trash hands amongst the leaf grades. No comments are needed relative to these two latter practices, but it is hoped that the growers following such will quickly learn that the reputation of producing and properly grading and delivering first-class tobacco is the surest way in which the price paid to them for their crop may be increased. There is one more fault reported as all too common particularly in certain years, namely that many growers deliver their tobacco in too high case.

Export Grades: Much has been said as to the adoption of standard export grades for Canadian leaf tobacco, hence exporting companies were carefully questioned on this point. The following is the opinion of these companies:

British Leaf Co.: Standard export grades would be useless and this company cannot adopt them.

Canadian Leaf Co.: Is of the opinion that there is no such thing as standard grades for tobacco and that even the United States, which has been working on this problem for many years still has failed to thoroughly standardize tobacco grading and make it applicable to commerce. The destination of the tobacco will largely determine the method of grading and the grades adopted. "It is felt that this company could not adopt standard export grades."

Canadian Co-operative Growers Co.: Doubted if standard export grades could be created and put into practice. It considered that since different countries in Europe desired grading and different moisture standards there must be special grading according to the orders.

Cooper Leaf Tobacco Co.: This company thinks that some export grades would help and would be willing to try operation under them.

Hodge Tobacco Co.: Having no experience in this, did not feel like expressing an opinion.

Imperial Tobacco Co.: Considered the grading of tobacco and operation under standard export grades impossible and in the realm of idealism.

Leamington Tobacco Sales Corp.: Considers that tobacco for export must be packed according to type sample as ordered. Considered that the company would have no objection to supervision by government graders, but demands the right to pack the tobacco strictly on the orders from overseas.

Ross Tobacco Co.: Considers the adoption of standard export grades impossible and emphasized that their export trade was on a basis of type samples and grading must be done accordingly.

It would appear then that although different companies have different interests in the export trade and all view this problem from a little different angle yet the majority are convinced that at the present time where export trade is yet in its infancy and trade channels not firmly established, an attempt to adopt anything resembling a standard of export grades would be so complicated as to be impracticable. Since these companies are doing the pioneer work of interesting the foreign markets, particularly the recognized British trade channels, more than a little weight must be placed on the opinion of these companies.

XII. EDUCATIONAL WORK TOWARD IMPROVING ONTARIO TOBACCO

There is no doubt that the tobacco companies operating in southwestern Ontario for many years were first instrumental in doing education work. Practically all the eight leading companies at the present time are doing some educational work through their buyers and district agents. Some of this work is of a very high order, done by men especially trained for this work. The most of this however, is done by local farmers who are acting as agents for the companies and no doubt some of whom are by no means as capable or experienced growers as a large percentage of their neighbours. Without singling out the different companies it is fair to say that three of the companies in particular have done a lot of educational work of a high order towards instructing growers as to better methods of production and curing of tobacco. Nevertheless if the grower is to receive his more frequent educational contacts largely through representatives of the companies, there is always the tendency that contradictory advice will be given by different companies, hence the farmer as in the past may come to the conclusion that probably his methods are as good as theirs and follow the advice of no one.

DOMINION EXPERIMENTAL STATION, HARROW.—Although the first purpose of this Station is to do investigational work in order to obtain facts and improved materials for the grower, nevertheless this institution has been one of the leading educational institutions in tobacco growing during recent years. Its value in

this connection as in investigational work will depend entirely on its ability to retain capable technical men that fully appreciate the practical aspects of tobacco production.

OTHER GOVERNMENT EDUCATIONAL WORK IN TOBACCO.—At the present time the Provincial Government is to be commended on the excellent staff of agricultural representatives in each county. Unfortunately these men as a rule have such a diversity of work that even if they had special training in tobacco, but a small amount of time could be devoted to this work. Again the provincial Government has an excellent Demonstration Farm at Ridgetown, which is rapidly becoming a nucleus for educational work. The addition of trained tobacco men to these institutions should benefit the producer.

The growers of tobacco throughout all the hearings favoured local demonstrations in curing and in grading at stripping time.

All the various processing companies had different suggestions. Two of the leading companies frankly stated that they thought the governments were doing practically all that was necessary in educational work, but should make available and place in the hands of every farmer a complete set of bulletins along the lines of those which had recently been published by the Tobacco Division at Ottawa and the Harrow Experimental Station.

Two of the companies thought that the Government should make some effort to conduct educational work in the newer districts where as a rule the inferior grades of tobacco are produced and which in 1927 represented the unsold surplus. One company in a pessimistic mood hesitated to make any recommendations as to putting Government field men amongst the growers to give instructions, and thought such men might simply add to the present confusion and multiplicity of advice which is at times even contradictory. In any case this company felt that experience alone was the surest teacher.

GROWING TOBACCO UNDER CONTRACT AS A MEANS OF EDUCATION.—Careful inquiry was made as to the influence of growing tobacco under contract on the quality of the crops produced. Of the eight companies, five emphatically stated that contract did improve quality providing the contract were fair and the company gave frequent and careful instructions to the grower throughout the growing, harvesting and curing seasons. It is noticeable that one company which has been growing under contract for many years has outstanding success in this regard, which fact is appreciated by other companies as well. On the other hand another company which grows a considerable acreage under contract is evidently not operating in such a manner as to improve the quality of the crop. This probably is due to insufficient careful instruction to the growers who are working under this contract and since this company moves so frequently to new districts apparently no real good is derived from this practice.

XIII. EXCISE ON CANADIAN TOBACCO

This is a matter which has been recently presented to the federal Tariff Board, hence this commission feels that it is unwise to elaborate this subject, nevertheless tobacco growers, processing companies and manufacturers presented statements in such an emphatic manner that a brief review of the evidence on this subject is at least advisable.

PRESENT EXCISE.—The following is the excise now in operation:—

Tobacco per pound..	\$0.20
Cigarettes—3 lbs. or under 1,000..	6.00
Cigarettes—over 3 lbs. per 1,000..	11.00
Cigars—per 1,000..	3.00
Snuff—per lb..	0.20

WOULD A LOWER EXCISE HELP THE TOBACCO INDUSTRY OF SOUTHWESTERN ONTARIO.—A number of growers who have apparently given this matter considerable study unanimously agree that a lower excise would help the industry in Canada. All the tobacco processing companies were equally emphatic in the affirmative. All manufacturing companies interviewed, likewise agreed in the affirmative.

HOW WOULD A LOWER EXCISE AFFECT CONSUMPTION OF CANADIAN LEAF.—When it is considered that the largest proportion of leaf imported into Canada is Flue tobacco of which Canada as yet is producing less than half her requirements, it is at first difficult to see how a lower excise would stimulate greater production and consumption of Canadian leaf. The more immediate answer to this problem is that *if smuggling could in any way be stopped it would increase the consumption of Canadian* manufactured cigarette tobaccos and since Canadian leaf is used in a considerable percentage of brands it naturally would immediately affect the consumption of Canadian leaf.

What then is the extent of smuggling into Canada and how is this affecting the present trade? Naturally there are no reliable statistics on this point. All the processing companies admitted that they did not know. Various large manufacturing companies had estimates, which they considered more or less reliable, ranging from 600,000,000 to 1,000,000,000 cigarettes smuggled into Canada per annum. The cause of this smuggling was in their opinion especially due to the higher prices of cigarettes in Canada and material reduction in excise would make Canadian manufactured cigarettes cheaper and smuggling less of a temptation. In this connection one company stated that its salesman has recently reported every evidence of organized selling of American smuggled cigarettes in North Toronto at a price of \$2 per carton (200) and they felt that this was being systematically done in Ontario cities and towns. There is also evidence that whatever smuggling exists is directing the taste of Canadian consumers toward the American type and flavour of cigarette made largely from Burley and Turkish tobaccos. This is supported in turn by a statement from the Imperial Tobacco Company that they have made a type of cigarette which in flavour closely resembles the popular American brands and they have discovered that these are selling most freely and are most popular along the American boundary where naturally smuggling is most frequent.

On the other hand the Manager of a large tobacco company in Quebec states that although smuggling into Eastern and Central Quebec would naturally be less than along the boundary, he feels that the situation is probably exaggerated and that smuggling could be prevented by putting on more preventive officers. In any case he feels that the immediate need is the education of the Canadian consumer to the taste of Canadian tobacco. Rather than alter the excise alone, he strongly advocates an advance of the import duty on leaf to 50 cents per pound and then a reduction in the excise from 20 cents to 10 cents per pound with proportionate reduction of from six to three dollars on cigarettes and from three to one dollar on cigarettes.

Judging from the evidence brought before this commission it would appear that cigarette manufacture in Canada is very seriously affected by smuggling of cheaper cigarettes from the United States and that there is every possibility that if this continues the public taste may be altered to demand the Burley type of cigarette. Since Canada is not able to produce Burley of the type satisfactory for use in high percentages in cigarettes, this tendency is not in the best interest of the tobacco producing industry of Canada. Moreover, if it is true that one billion cigarettes per annum are smuggled into Canada, this would represent at least three million pounds of tobacco, which if produced in Canada would represent a very large percentage of our total Flue production.

EXCISE ON TOBACCO LEAF NOT MANUFACTURED.—The evidence on this subject is summarized as follows: In some parts of Canada, particularly the province of Quebec a large percentage of the tobacco smoked in pipes is raw leaf which has not been processed out or blended in any manner. This leaf is sold in the hand and usually by weight. On this leaf no excise is being paid. It is estimated that in the province of Quebec alone fully four million pounds of tobacco are used annually in this form. There is no doubt that from two to three million pounds of this is grown in the province of Quebec and the balance usually represents low grade leaf brought from southwestern Ontario. Since much of this tobacco has not been processed, its best quality has not been brought out and the keeping qualities have not been insured. Moreover since so much of this Ontario tobacco represents low grade and inferior tobacco, those who smoke it are paying far more than it is worth. Again many who come in contact with pipe smokers using this leaf are subjected to most unpleasant odours thus gaining an entirely erroneous impression as to the best tobacco produced in Canada. This is very detrimental to the industry.

Again it would appear that this practice if continued, is in a sense encouraging rather than discouraging the production of low grade tobacco. One manufacturer has suggested on more than one occasion that the excise on smoking tobacco be reduced from twenty to ten cents and that this ten cents excise be placed on all smoking tobacco whether manufactured or sold for smoking purposes as raw leaf. There certainly seems to be a certain demand from tobacco growers, processors and manufacturers that the excise on tobaccos, cigarettes and cigars be reduced, which may, if properly done, not seriously reduce the immediate total revenue to Canada, may eventually cause a marked increase, may discourage smuggling and may encourage the production and consumption of more Canadian grown leaf.

XIV. IMPORT DUTY

The present import duty on unstemmed leaf into Canada is 40 cents per pound and on stemmed leaf 60 cents per pound. Although a few growers who gave evidence before the Commission emphasized the desirability of increasing this import duty, yet the majority admitted that this was not a problem of the greatest immediate importance and that they were not thoroughly versed in this matter. Most of the manufacturers thought that the present import duty gave ample protection to the tobacco grower and that any increase would be unfair to manufacturers and consumers. On the other hand one manufacturer as has already been stated advocates the advancing of the duty on unstemmed leaf from 40 to 50 cents per pound, but counteracting this with a reduction of 50 per cent of the excise, which in his opinion would be an encouragement to the tobacco producing industry.

BONDING REGULATIONS OF IMPORTED TOBACCO.—A number of witnesses were under the impression that present bonding regulations allowed the manufacturers too much leeway in holding stocks and thus forcing down the price of Canadian grown tobaccos, hence careful enquiries were made in this regard.

There are in Canada two types of bonded warehouses for imported tobacco leaf. One of these, the general Customs bonded warehouse, is used largely by dealers but since little tobacco is imported by dealers these are of small importance. The other type of bonded warehouse is that of the manufacturing plants where imported tobacco is placed in bond and drawn out by the manufacturer as needed. It makes little difference whether the company stores this tobacco which may be in bond for a period of from two to five years, on the American or the Canadian side of the boundary, and he appears little concerned

as to where it may be stored providing he has ample stocks aging for the proper length of time in order to insure a supply for his blending in manufacture. It would then appear that bonding warehouses or bonding regulations have little or no influence on the prices paid to the growers of Canadian leaf. These warehouses located adjacent to his plant are merely a convenience to the manufacturer that he may have more immediate access to his stocks in bond in order to study the aging of these stocks. For example, one company had considerable stocks of 1921 imported Flue tobacco on hand and had attempted to use this in its blends during three successive years, but because of the very slow ageing had been compelled to discontinue, while the 1922 and 1923 crops from the same districts and of the same type have been used freely. By compelling a company to carry an unnecessary burden of inconvenience in order that they may guarantee the same uniform flavour in their product to the consumer is not sound and this would no doubt be admitted by all tobacco growers.

QUANTITIES OF TOBACCO IN BOND.—Although it would be impossible to give a statement of the actual quantities in bond at any one time because of the large number of bonding warehouses, yet it is of interest to note that in the provinces of Ontario and Quebec where by far the major portion of Canadian tobacco is manufactured, there were stocks in bond of imported leaf on February 29, 1928 as follows:—

Stemmed Leaf	30,000 lbs.
Unstemmed Leaf	6,250,000 lbs.

The following information obtained from official sources is also of distinct interest. Tobacco at the present time in bonded warehouses, which has been therein for two years and over throughout the various bonded warehouses in Canada is as follows:—

Stemmed Leaf	458 lbs.
Unstemmed Leaf	1,128,124 lbs.

QUALITY OF IMPORTED LEAF.—In so far as this commission had the opportunity to investigate, the following statements seem to be justified and accurate. The quality of leaf imported from the United States to Canada represents at least the average of those types and grades produced in these States. In this connection it is but fair to again point out the fact that the manufacturer importing tobacco because of the United States grading is able to purchase the tobacco on grades and is not compelled to buy the inferior grades in order to get fine and good grades which he may desire.

In so far as the commission was able to gather the quality of leaf exported from the United States to Canada on the whole is of about the same average as that which is exported to Great Britain although it is possible that Great Britain does take a quantity of the very choicest of Flue tobacco which Canada does not import.

XV. NICOTINE PRODUCTION IN CANADA

Realizing the relatively high percentage of low grade Dark tobaccos produced in Ontario during 1927, the commission considered possible suggestions as to using this to the best advantage. It is true that a large percentage of the sand leaves should have been primed and left in the field, which would have taken a considerable quantity off the market. It is equally true that there still remains a very considerable percentage of trash leaves from fair crops and a large percentage of the leaf from the poor to very poor crops, which might better be kept off the tobacco leaf market. Hence enquiries were made as to the advisability of nicotine manufacture.

According to the only available statistics, imports into Canada of nicotine sulphate during the fiscal year 1926-27 amounted to 63,610 pounds, at a valuation of \$70,411. This in itself probably would not encourage the establishment of a large plant to manufacture nicotine. On the other hand from evidence available it would appear that the world's supply of nicotine does not meet the demand, hence there is a possibility of developing an export trade.

There seems to be a real need for a nicotine plant or something of this kind to take off the market the inferior leaf, which is a distinct problem to grower, processing company and manufacturer.

It would appear that there is considerable material available for the operation of a nicotine factory providing the Dark tobaccos grown in Ontario would average 2 to 3 per cent nicotine. There have been two distinct attempts to establish a nicotine factory at Kingsville. The first of these attempts made some years ago failed for reasons not definitely known, but since they attempted to operate with low grade Burley to a considerable extent and since Burley tobaccos are very low in nicotine, it is possible that this was one of the contributing factors.

The Ross Leaf Tobacco Company of Kingsville established a small plant in 1925 and attempted to make 75 per cent free nicotine, nicotine sulphate, etc., using mainly Dark tobaccos. In addition they had some high nicotine Russian types containing from five to six per cent. On all this they paid for the tobacco on the basis of one cent per pound for each one per cent of nicotine. They found production costs were too high and discontinued after the first year of operation.

The growers and all processing companies in western Ontario have thought something of this kind should be established and apparently would support an independent company which might undertake a factory of this kind, as all would apparently be glad to get rid of very low grade Dark tobacco, surplus stems, etc.

Since nicotine manufacturing plants are apparently operating successfully in Kentucky and have developed a technique and business organization to a degree sufficiently high so that the industry has become firmly established, it is exceedingly unfortunate that something of this kind cannot be undertaken in Canada.

XVI. MARKETING METHODS FOR SOUTHWESTERN ONTARIO TOBACCO

BARN BUYING.—The large proportion of Ontario tobacco at the present time is sold unstripped, hanging in the barn. That this is unsatisfactory to the majority of growers and the majority of buyers has already been stated. Growers of good tobacco themselves do not know how their crop will grade out until it is stripped. Hence even the most experienced buyers attempting to value this crop in the barn cannot do so to their satisfaction. It is but natural that a buyer who is attempting to place his value on a barn of tobacco always takes care that there is a margin of safety for his company. No doubt occasionally this is to the advantage of the grower, but usually it is to the advantage of the buying company. Nevertheless, the majority of the buying companies are distinctly dissatisfied with the present barn system of buying, it being costly and uncertain.

CONTRACT BUYING.—Tobacco which is grown under contract with various companies is as a rule contracted at a price within a certain range, the final definite figure to be determined upon the delivery of the stripped tobacco to the warehouse. If both the grower stripping his crop and the buying company receiving the same are equally honest there should be a more accurate valuation than through present barn buying methods.

LOOSE LEAF FLOOR.—This is a practice commonly followed by tobacco growers and buyers throughout most of the tobacco growing sections of the United States, although even in these areas there is still a small percentage of barn buying. There is no doubt that the loose leaf floor has some disadvantages and many advantages. Grading of the leaf by the grower selling his tobacco over a loose leaf floor is not compulsory as it may be sold as mixed crop. If, on the other hand, the grower is most successful, his grading is carefully done at stripping time, and apparently he has little difficulty in training negroes in this work. Tobacco sold over the loose leaf floor is under number, and competitive bidding takes place on that floor by all the buying companies without any knowledge whatsoever as to whose crop they are bidding on.

The opinion of both growers and processing companies and manufacturing companies was solicited on this point, and the following summary is of interest.

Growers who gave evidence on this subject and who had any knowledge of the operation of the loose leaf floor felt that this was on the whole very much superior to the present system of barn buying. On the other hand, two witnesses gave evidence to the effect that they were better satisfied with barn buying than they had been when growing tobacco in the south and selling over the loose leaf floor. This was a minority opinion of those who had experience in both practices.

Amongst the processing companies seven of the eight were most emphatic in favour of the loose leaf floor, stated its undoubted superiority over barn buying, admitted it would be more economical for the companies than to maintain a large staff of local buyers, frankly stated that they could more nearly value the crop and were willing to pay full value on the basis of quality. The remaining company was not in favour of the loose leaf floors maintaining the growers are not yet ready for the same nor are they ready to properly grade and present their crop thereon. There were suggested the following locations for loose leaf sale warehouses: Two in Essex county, two in Kent county, and one more to serve the other counties. Others felt that probably starting with three of these would be ample.

Amongst the manufacturing companies, all who had any experience felt that this system of selling tobacco was much superior to barn selling, but it would depend largely on when the farmer was trained to the point where he would properly grade and present his crop. Some of the smaller manufacturing companies which desire only certain grades of tobacco were most emphatic in their desire for this system of selling, in order that they might be saved from the present expense of buying the whole crop in order to get the grades desired.

A TOBACCO POOL.—At the various public hearings where a total of some 800 attended the opinion of witnesses as to their desire in this regard was solicited. By far the greatest majority of all the witnesses expressed themselves very favourably toward the pool system of marketing. Nevertheless, it must not be forgotten that the large percentage of those attending these meetings consisted of growers with unsold crop, who were anxious to get out of their present financial difficulty, or who felt that grave injustice had been done them by the buying company. On the other hand, a large percentage of these witnesses honestly and frankly stated that they were looking for a marketing system on which they could feel sure that their crop was being sold on the basis of its actual quality and value. They felt that a pool system accompanied by proper grading and with sales based on grades would be most satisfactory. A large number of these witnesses felt that there had been an over-production, and some admitted also an over-production of low grade tobacco, and felt that the pool system would materially assist in curbing such disastrous circumstances.

Among the various processing companies there was a difference of opinion as to the pool. One company stated that it was quite neutral, was not opposing,

but had little confidence in the present organization and felt that without the strongest possible organization, it would tend to discourage good growers, and to encourage temporarily at least growers of poor tobacco, who had hopes that they might get a high price for their product, irrespective of quality.

The next company states that if the pool were organized and operated for the good of the community at large, it should succeed, and under such circumstances the company was certainly not against the pool. This company, however, rather doubted its success because of the fact that other tobacco pools had so frequently failed. Here again it was stated that the outstandingly "good grower must help to tow the poorer grower" in the matter of marketing. The next two companies were a little less cautious, and stated that they were in favour of the pool system of marketing, while the fifth was neutral. The next company was in favour of any method of marketing which would promote all phases of the tobacco industry in Canada. The remaining two companies were emphatically not in favour of the pool under its present organization and unformulated plans.

As to whether or not these companies would buy from the pool, some were non-committal, some stated that they would have to confer with their head offices, some stated that they would buy providing they could get tobacco at fair prices, but would not guarantee not to buy from others. Two companies stated that they probably would not buy from the pool, the first because it felt that it now has a reasonably satisfactory buying organization, and the second because of the fact that its peculiar demands for export meant that it "could not buy graded tobacco in hogshead."

Amongst the manufacturers, all expressed certain sympathy toward the ideals of the pool system of marketing; one only stated that under present conditions it would not buy therefrom, while all emphasized the fact that thorough and sound business organization must be the basis of pool marketing. If the objective of the pool was to force up and maintain prices above those which the manufacturer could afford to pay, such an objective was wrong, futile and a dangerous proposition. If, on the other hand, the pool was to operate largely toward an education of the growers as to production of and properly valuing quality and grades, then it would not be an obstruction in the tobacco industry, but rather a distinct aid.

XVII. COMPLAINTS MADE AGAINST TOBACCO PROCESSING COMPANIES

(1) LIGHT BUYING OF THE 1927 CROP IN THE EARLY PART OF THE SEASON TO FORCE DOWN PRICES.—This was apparently a common impression. A careful study of preceding tables as to purchases will show that during the first three and one-half weeks almost as much crop had been absorbed as the total crop of the preceding year. A careful review of the preceding tables as to prices shows that the average price during the early part of the buying season was at a fair level as compared with the average price of 1926, if one gives due consideration to the fact that 1927 showed a slight over-production, while the 1926 crop was a short one.

(2) LOW CANADIAN PRICES AS COMPARED WITH AMERICAN PRICES.—A study of preceding tables on prices shows that even in the year 1927 Canadian average prices compare very favourably indeed with American prices, and it must not be forgotten that American average prices in all cases include the cost of grading and tying of the tobacco there done by the growers, and which in Canada is done by the manufacturers. Moreover, it must not be forgotten that the average price

in Canada for the past five years has been higher than the average price in the United States. Again, it must be considered that the United States this year had a short Burley crop, which has been responsible for the gradual increase in market values for this type. On the other hand, the large Flue tobacco crop has been responsible for a low average market level, which has declined constantly since the opening of the market.

(3) A COMBINE AMONGST PURCHASING COMPANIES.—At all the various meetings growers were given an opportunity to express their opinion on this subject of a combine. Of the 103 who gave evidence 38 felt that there was a combine, or at least some understanding amongst the companies which resulted in price fixing. When asked, however, if they could produce evidence to that effect, all admitted that it was but their opinion.

The eight processing companies were in turn very carefully questioned on this subject. Five of these companies said that they knew nothing whatever about the existence of a combine. Two stated they thought there was no combine of this kind. One only said that in his opinion he felt that there was. All the other companies were most emphatic that they had never been asked to join, nor had they asked others to join.

(4) AGREEMENT AMONGST BUYERS TO APPORTION TERRITORY THUS LIMITING COMPETITIVE BUYING.—Of the 103 witnesses at public hearings, 12 felt that there was no competition, and a number of these felt that there was a distinct tendency toward apportioning the territory amongst the various buyers, so that there would be little competition. On the other hand, the processing companies emphatically stated that they had men in the field looking for the best crops during the whole growing season, and when the market opened they attempted to buy the crops which they wanted up to the limit of their needs with the least possible delay. It is quite evident from previous statements as to purchases during the first three weeks that this statement is correct insofar as most of the companies are concerned. So far as the Commission could discover there were no complaints from growers that there was a lack of competition in buying the 1926 crop, which was quickly absorbed at high prices. Nevertheless, the fact remains that almost as much 1927 crop was bought in the first three and one-half weeks after markets opened as was purchased in the total of the 1926 crop and in 60 days several million pounds more than 1926. *There is no evidence to prove that companies in any way attempted to control normal competition.* The fact that numerous witnesses who are good growers producing good tobacco which sold at the top of the market early in the season stated that they had several buyers for this crop is at least an evidence that for the choice crop there is keen competition.

(5) COMPANIES OPENING THE MARKET AT THE HIGH LEVEL AND THEN SYSTEMATICALLY DROP WITH EACH SUCCEEDING BUYING MOVEMENT.—Six of the 103 witnesses emphasized this point at the public hearings. The largest tobacco processing company admitted that this was the case, as has been already stated on previous pages. However, any material reduction in price in later buying movements for the 1927 crop, according to evidence from all companies, was due to lower qualities being left after the best grades had been purchased. It is true that there were a few exceptions in high quality crops left unsold which were absorbed at lower prices, at a time when buying was less keen.

(6) WHY WAS THERE A SLUMP IN TOBACCO PRICES.—According to the findings of this commission lower prices during the latter part of the buying season and now existing are due largely to lower grade. To this might be added the fact that there was a slight over-production, particularly of lower grade leaf,

which in itself had a marked depressing influence once the immediate orders of the buying companies were filled.

The failure of the co-operative to meet contracts on tobacco bought as already stated materially affected the market.

(7) MISHANDLING UNDER CONTRACT.—At a number of the meetings witnesses were distinctly disappointed in the result of their growing tobacco under contract with one processing company. Nevertheless, so far as the commission could discover there were no instances which did not lend themselves either to an explanation on the basis of very inferior quality, or to the ordinary channels of law, providing the statements made could be substantiated by facts.

(8) FAVOURITISM DUE TO FERTILIZER SALES.—There were several witnesses who claimed that the Manager of the Imperial Tobacco Company showed very distinct favouritism in buying for his company based on whether or not he personally could sell tobacco fertilizer to these men. Such statements were contradicted fully by the management of that company. The head office in Montreal stated that they felt that the policy of allowing their manager at Leamington to sell good fertilizers for tobacco had been sound because of the fact that there was every evidence that it had improved both yield and quality of tobacco in southwestern Ontario. There was no evidence as to any irregularity obtained from any source.

(9) BONDED WAREHOUSE.—Charges were made by one or two growers against manufacturers using bonded warehouses in depressing prices. There appears to be no evidence of any kind to support such misapprehension, as discussed fully on previous pages.

XVIII. RECOMMENDATIONS OF TOBACCO ENQUIRY COMMISSION RE ONTARIO

1. That growers guard against overproduction of low grade leaf.
2. That for 1928—
 - (1) The growers who are about to increase acreage largely use every effort to produce the best possible results in order not to glut this market with low grade crop.
 - (2) Burley growers slightly reduce acreage, growers only planting what can be well taken care of. Canadian Burley is not in keen demand in Great Britain and the export trade for this type will not be rapidly enlarged.
 - (3) The surplus 1927 crop in the hands of the processors and manufacturers may materially influence 1928 crop absorption.
 - (4) All Dark tobaccos if possible be fire cured for the British market.
3. That unsold 1927 crop be disposed of as quickly as possible since its natural deterioration, if not processed, would in any case, largely counteract a higher market in 1929, should such exist for low grade leaf.
4. Canada can produce the finest quality Dark fire cured and should make every effort to gradually increase production of high class leaf of this kind, which meets with distinct favour in Great Britain, and may replace this type now imported thereto from Kentucky.
5. High quality leaf, properly graded and processed, and in constant quantities, is the basis of gaining and holding a popular place on the tobacco market of Great Britain.
6. The Canadian domestic market is still the best market for Canadian growers and the improvement of quality therefor is equally important.

7. Growers, especially in newer districts and of less experience, are advised to give especial attention to the following points in production which greatly influence the quality and value of their crop.

- (1) Use type suitable to soil.
- (2) Adopt the best known rotation and cultural practices.
- (3) Use greatest care in obtaining pure seed of proper variety.
- (4) Plant early to get full and early maturity.
- (5) Increase distance of planting for dark tobacco where greater body of leaf is desired.
- (6) Fertilize generously but not wastefully.
- (7) Top early and low to develop full maturity and avoid production of cheap green tips.
- (8) Prime Dark tobaccos during growing season to hasten maturity, improve quality and get rid of useless sand leaves at least cost.
- (9) Stop cutting tobacco too green—it produces low grade leaf of little or no more value than frosted tobacco.
- (10) Handle tobacco more carefully and avoid shatter, tear, bruise and dirt.
- (11) If growing on shares—see that your grower knows how to produce high grade leaf—then help him do it.

8. In curing tobacco, the following suggestions are made:—

- (1) Grow only what you can cure well in suitable buildings.
- (2) Cure carefully—good leaf may be made worthless otherwise.
- (3) If fire curing, use ample heat at proper times—smoking alone is not enough. If possible obtain best possible advice in this process.

9. That processing companies and federal and provincial departments meet and agree on a plan for uniform demonstration in curing—especially in fire curing.

10. That processing companies and federal and provincial departments meet and agree upon and all adopt a system of stripping grades of four or more for each type of tobacco, and arrange demonstrations amongst growers.

11. That a conference of the same officials discuss and enumerate the many types of grades now used in domestic and export trade.

12. That federal and provincial encouragement be given toward the establishment of a nicotine factory and as a first step, someone be sent to such plants in the United States to study such processing and business methods as might be available.

13. That the pool directorate be asked to develop plans for organization and operation so that growers, manufacturing companies and Governments alike may know how it might function, and if satisfactory, support this marketing method in order to get into operation as soon as possible.

14. If the Pool is not to function, then the federal Government take the lead in investigating the advisability of and if satisfactory assist in establishing three or more loose leaf auction floors. In order that this have the full confidence and support of all the processing companies, a meeting of the managers be called to complete organization plans.

15. That the federal Government (either Statistical Branch, Department of Trade and Commerce, or Department of Agriculture, or both in co-operation) publish at regular intervals statistics *re* tobacco of value to all interested. Such should contain

- (1) Supplies of tobacco on hand in Canada, United States, Great Britain and other countries.
- (2) Areas under crop, Canada, United States and other countries.
- (3) Estimated yields Canada, United States and other countries.
- (4) Prevailing prices monthly.

16. That the form of this publication might somewhat resemble the "Weekly Market and Conditions Abroad", a circular released by the Tobacco Section of the United States Department of Commerce, Washington.

17. That there be developed some organization at Ottawa able to regularly obtain the necessary Canadian statistics therefor. World statistics and market reports are readily obtained from such reliable sources as

- (1) United States Department of Commerce.
- (2) Reliable tobacco journals such as "Tobacco", published by Tobacco Trade Journal Company, 34 North Crystal street, East Stroudsburg, Pa.
- (3) Monthly Colonial Tobacco Reports from such reliable brokers in Great Britain as Frank Watson & Co., Ltd., London and Liverpool; Edwards, Goodwin & Co., Liverpool; and others.

18. That systematic educational work, especially along the lines of curing and grading, be undertaken as before suggested.

19. That the federal Government correct salary conditions which are now responsible for constant losses of trained men, thus seriously retarding the important and much-needed investigational work.

CONCLUDING OBSERVATIONS

As has already been stated in the context of this report, the problems of import duty and excise tax have been placed before a special federal Tariff Board. Hence, no recommendations from this commission in this connection are needed.

Finally, it is hoped that all parties interested in developing the tobacco industry of Canada—growers, processing companies, and manufacturers—each and all will strive for mutual confidence and understanding, realizing that each is a necessary and important unit and equally needed in the proper development of this industry which has a bright future and an important place in Canada's agricultural and industrial development.

Signed:

E. S. ARCHIBALD,
E. P. TELLIER,
H. B. ARCHIBALD,
Commissioners.

Report of Tobacco Inquiry Commission in the Province of Quebec

THE TOBACCO SITUATION IN THE PROVINCE OF QUEBEC

Although the duties of the commission were specifically to investigate the tobacco conditions in southwestern Ontario, yet the possibility of relationship between the situation in Ontario and that of Quebec suggested to the Hon. W. R. Motherwell that at least a brief investigation of the tobacco leaf situation in Quebec be made. The commission begs to report briefly thereon.

A meeting was held in Montreal at which those thoroughly conversant with the tobacco situation in the province of Quebec attended. Those present were as follows:—

Mr. J. E. Montreuil, Superintendent, Experimental Station, Farnham, Que.

Mr. R. Roch, Tobacco Inspector, Joliette, Que.

Mr. J. F. Daniel, M.P.P., St. Esprit, Que.

Mr. J. LeBlanc, President, Tobacco Growers' Association, Montcalm County, Que.

Mr. E. LeMarsh, President, Tobacco Growers' Association, L'Assomption County, Que.

Mr. J. Bruce Payne, Manufacturer and Exporter, Granby, Que.

Mr. P. Blais, Manager of the Co-operative Tobacco Growers' Association, St. Cesaire, Que.

Briefly, the tobacco situation in the province of Quebec according to evidence from this meeting is as follows:—

CROP PRODUCED.—According to federal statistics, Quebec province produced 8,000,000 pounds during the year 1927. In reality, the crop turned out lighter than was anticipated and there was little more than 7,000,000 pounds of cured crop.

Fifteen per cent of the crop is grown south of the river, this producing a little over a million pounds of tobacco and this practically all of cigar varieties.

Of the balance of the crop—6,000,000 pounds—produced on the north side of the St. Lawrence—2,000,000 pounds are of cigar varieties, and the balance—4,000,000 pounds—of small and large pipe varieties.

It is estimated that of this balance of other varieties probably 3,000,000 pounds go through tobacco manufacturing companies of one sort or another and the balance is sold as raw leaf and consumed as such.

Of this year's cigar leaf, about 1,500,000 pounds has been purchased by Mr. Payne and others or handled by the Co-operative at St. Cesaire. The sweating and bulking of this cigar leaf is now pretty well finished by those handling the crop.

UN SOLD BALANCE OF 1927 CROP.—It is estimated that there is probably about 3,000,000 pounds of unsold balance, consisting of approximately 1,000,000 pounds of cigar varieties and 2,000,000 pounds of pipe types. The crop on the south side of the St. Lawrence is all cleaned up and the 3,000,000 pounds unsold on the north side of the river is not an unusual or in any way alarming situation, since growers in Quebec are accustomed to holding their crop.

QUALITY OF 1927 CROP.—1927 produced the best cigar tobaccos that Quebec has yet grown, fully sixty per cent better than in previous years on the south side of the river. However, on the north side of the river, the quality of the 1926 crop, on the whole, was somewhat better than the 1927 crop. Of the unsold balance of crop, all the best cigar crops on the north side of the river are sold and all the aromatic types of pipe tobacco are sold. The unsold balance is probably worth around twelve cents, consisting largely of larger pipe types.

PRICES OF 1927 CROP.—On the south side of the river, cigar leaf averaged twenty cents per pound, ranging from eight to twenty-nine cents. On the north side of the river, cigar leaf averaged eighteen cents, ranging from eight to twenty-four cents, while aromatic pipe tobaccos averaged twenty-seven cents, with a range of twenty to thirty-five cents, and larger pipe types which have been sold averaged seventeen cents with a range of from thirteen to twenty cents.

ONTARIO TOBACCO USED IN QUEBEC NOT MANUFACTURED.—It was the opinion of this meeting that this consisted largely of low-grade Ontario tobacco and that at least 1,000,000 pounds was used in western Quebec. Much of this was sold as Quebec tobacco, to which there naturally are objections.

COMBINE AMONGST TOBACCO COMPANIES.—It was generally conceded by the meeting that it was improbable that there was a combine in Quebec, Mr. J. Bruce Payne making the statement that there was no possible chance of a combine. On the other hand, it was admitted by Mr. LeBlanc and others that there had been an attempt made to form a combine amongst those buying in Quebec, but this did not work out, as those seeking to control the crop through this method failed, and actually were compelled to pay higher prices than they otherwise would have.

ROTATIONS FOR TOBACCOS.—There was an interesting discussion on this point and it is apparent that much experimental and research work is still necessary in order to determine just the type of rotations which should be used for different types of tobacco grown in the different sections of this province.

DRAINAGE.—As in Ontario, a lot of tobacco of inferior grades is grown on land which is not properly drained.

PURE SEED.—There is a lot of very inferior mixed seed distributed by Montreal seed houses and others. In some districts, nearly ninety-five per cent of the crop is of mixed types and varieties. It was suggested at the meeting that in order to rectify this situation it would be a good thing if the Federal Department changed its seed distribution policy in such a manner as to limit the number of varieties being grown and guarantee an ample source of pure seed.

STRIPPING GRADES.—Probably the Co-operative Company at St. Cesaire has built up the most systematic system of stripping grades of any part of Canada. All the growers now strip in three grades, namely, bottoms, middles and top leaves. The Imperial Tobacco Company of Canada commends the work which the Co-operative has done in this regard and the excellent grading now in effect. In this connection, it is of note that any very inferior leaves are thrown into a fourth group, hence the three grades really represent three grades of useful tobacco which will be used as cigar binders and fillers.

SMUGGLING INTO QUEBEC.—It was the opinion of this meeting that smuggling of American tobacco into Quebec certainly did not exist along the boundary line to the extent as commonly reported in southwestern Ontario. Mr. Blais felt that this was really not a very important consideration in so far as Quebec was concerned and that more preventive officers would be better than tampering with the excise.

THE ST. CESAIRe CO-OPERATIVE.—The secret of success of this Co-operative is undoubtedly due largely to the following reasons:—

- (1) The exceedingly capable manager, Mr. Blais.
- (2) Loyalty of the members to their company.
- (3) Putting out well-graded product in a manner to please the manufacturers.
- (4) Sound financing by creating sufficient reserve capital so that they are not in the hands of the banks.
- (5) Assisting growers more and more to realize that quality is the basis of values, profits and success.
- (6) The farmers' sons work largely in the factory during winter, thus getting a first-hand appreciation of those factors which constitute quality.
- (7) The company deals only in tobacco and buys for the members only materials which go into the growing of tobacco, such as fertilizer, insecticides and fungicides.

The members of the St. Cesaire Co-operative own their own plant. Beginners are under a ten-year contract and after that, a five-year contract. About seventy-five to eighty per cent of tobacco produced on the south side of the St. Lawrence is by members of this Co-operative, which now has a total enrolment of 367 growers.

POOL VERSUS LOOSE LEAF FLOOR.—The pool must have a majority of members if it is to succeed. The loose leaf floor would, in turn, have to have the support of all buying companies if it is to succeed.

WHY NO CO-OPERATIVE IN THE NORTHERN COUNTIES.—The only answer to this was given by Mr. J. B. Payne to the effect that they had no man like Mr. Blais to organize and operate the same.

NICOTINE FACTORY.—All the members were strongly in favour of something being done to establish a nicotine factory in Canada to take care of low-grade, frozen and otherwise unmarketable leaf. It was felt that there might be no difficulty in picking up half a million pounds at something less than four cents per pound for such a factory.

SUGGESTIONS AS TO WHAT THE GOVERNMENT MIGHT DO TO HELP TOBACCO GROWING IN QUEBEC:—

- (1) More research in tobacco diseases at the Experimental Farms.
- (2) That the Farnham Station feature only cigar tobacco since that is practically all that is being grown in these southern counties.
- (3) Induce more farmers to visit and appreciate Experimental Farms.
- (4) Put out statistics of value to both the growers and manufacturers relative to world's crops, market prices, exports, imports, etc.
- (5) Alter the seed distribution policy in order to prevent mixed seed or the mixing of free samples of seed, and in some way reduce the number of varieties.
- (6) Increase the number of tobacco specialists throughout the larger tobacco-growing sections of the northern counties.

Signed:

E. S. ARCHIBALD,
E. P. TELLIER,
H. B. ARCHIBALD,
Commissioners.



